

465th meeting of the Accounts Commission for Scotland
Thursday 6 February 2020, 10.15am
in the offices of Audit Scotland, 102 West Port, Edinburgh

Agenda

1. **Apologies for absence.**
 2. **Declarations of interest.**
 3. **Decisions on taking business in private:** The Commission will consider whether to take items 13 to 16 in private (* see note).
 4. **Minutes of meeting of 9 January 2020.**
 5. **Audit Scotland Board update:** The Commission will consider a report by the Secretary to the Commission.
 6. **Update report by the Secretary to the Commission:** The Commission will consider a report by the Secretary to the Commission.
 7. **Update report by the Controller of Audit:** The Commission will consider a verbal report by the Controller of Audit.
 8. **Strategic Scrutiny Group update:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 9. **Annual Assurance and Risks Report:** The Commission will consider a report by the Secretary to the Commission.
 10. **Work programme: stakeholder consultation feedback:** The Commission will consider a report by the Secretary to the Commission.
 11. **Audit Scotland communications strategy:** The Commission will consider a report by the Secretary to the Commission.
 12. **Statutory Report: Fife Integration Joint Board:** The Commission will consider a report by the Secretary to the Commission.
- The following items are proposed to be considered in private:**
13. **Statutory report: Fife Integration Joint Board:** The Commission will consider what action to take.
 14. **Audit appointments and new Code of Audit Practice: update:** The Commission will consider a report by the Secretary to the Commission.
 15. **Performance audit: draft report: Affordable housing:** The Commission will consider a report by the Director of Performance Audit and Best Value.
 16. **Commission business matters:** The Commission will discuss matters of interest.

* It is proposed that items 13 to 16 be considered in private because:

- Item 13 requires the Commission to consider actions in relation to a report by the Controller of Audit. The Commission is then obliged by statute to inform the appropriate council of its decisions, which the Commission does before making the decision public.
- Item 14 requires decisions on various aspects of the approach to new audit appointments and associated Code of Audit Practice, which will require the Commission to consider confidential policy, business and commercial matters.
- Item 15 proposes a draft performance audit report which the Commission is to consider in private before publishing.
- Item 16 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

The following papers are enclosed for this meeting:

Agenda item	Paper number
Agenda item 4: Minutes of meeting of 9 January 2020	AC.2020.2.1
Agenda item 5: Report by Secretary to the Commission	AC.2020.2.2
Agenda item 6: Report by Secretary to the Commission	AC.2020.2.3
Agenda item 8: Report by Director of Performance Audit and Best Value	AC.2020.2.4
Agenda item 9: Report by Secretary to the Commission	AC.2020.2.5
Agenda item 10: Report by Secretary to the Commission	AC.2020.2.6
Agenda item 11: Report by Secretary to the Commission	AC.2020.2.7
Agenda item 12: Report by the Secretary to the Commission	AC.2020.2.8
Agenda item 14: Report by the Secretary to the Commission	AC.2020.2.9
Agenda item 15: Report by Director of Performance Audit and Best Value	AC.2020.2.10

MEETING: 6 FEBRUARY 2020

MINUTES OF PREVIOUS MEETING

Minutes of the 464th meeting of the Accounts Commission held in the offices of Audit Scotland at 102 West Port, Edinburgh, on Thursday 9 January 2020, at 10.15am.

PRESENT: Graham Sharp (Chair)
Andrew Burns
Andrew Cowie
Sophie Flemig
Sheila Gunn
Christine Lester
Sharon O'Connor
Pauline Weetman
Geraldine Wooley

IN ATTENDANCE: Paul Reilly, Secretary to the Commission
Fraser McKinlay, Controller of Audit and Director of Performance Audit and Best Value (PABV)
John Boyd, Senior Manager, Grant Thornton (Item 8)
Joanne Brown, Partner, Grant Thornton (Item 8)
Aileen Campbell, Auditor, Performance Audit and Best Value (Item 8)
John Cornett, Audit Director, Audit Services (Item 9)
Blyth Deans, Audit Manager, Performance Audit and Best Value (Item 8)
Stephen O'Hagan, Senior Audit Manager, Audit Services (Item 9)

Item Subject

1. Apologies for absence
2. Declarations of interest
3. Decisions on taking business in private
4. Minutes of meeting of 12 December 2019
5. Update report by the Secretary to the Commission
6. Update report by the Controller of Audit
7. Improvement Service: Strategy and activities
8. Best Value Assurance Report: The Highland Council
9. Statutory report: Glasgow City Council
10. Best Value Assurance Report: The Highland Council (in private)
11. Statutory report: Glasgow City Council (in private)
12. Commission business matters (in private)

1. Apologies for absence

It was noted that apologies for absence had been received from Tim McKay, Stephen Moore and Elma Murray.

2. Declarations of interest

The following declaration of interest was made:

- Andy Cowie in item 8 as he is resident in the Highland Council area and in a former role as a chief police officer he worked in partnership with Highland Council, and in item 9 as he is a former resident in the Glasgow City Council area.

3. Decisions on taking business in private

It was agreed that items 10 to 12 be considered in private because:

- Item 10 requires the Commission to consider actions in relation to a report by the Controller of Audit.
- Item 11 requires the Commission to consider actions in relation to a report by the Controller of Audit.
- Item 12 may be required if there are any confidential matters that require to be discussed outwith the public domain. The Chair will inform the meeting in public at the start of the meeting if this item is required and what it covers.

No business was notified by members for item 12 and thus the Chair advised that the item would not require discussion.

4. Minutes of meeting of 12 December 2019

The minutes of the meeting of 12 December 2019 were approved as a correct record.

5. Update report by the Secretary to the Commission

The Commission considered a report by the Secretary providing an update on significant recent activity relating to local government and issues of relevance or interest across the wider public sector.

During discussion, the Commission agreed:

- In relation to paragraph 6, to write to the Scottish Government to note the Commission's confidence in the evidence reported in the Local Government Overview Report in relation to local government budgets.

Action: Secretary

- In relation to paragraph 8, to note that the Commission will note its interest with the Local Government and Communities Committee in its call for views on how to achieve community wellbeing, with a view to participating at a later stage of the Committee's work.

Action: Secretary

- In relation to paragraph 11, to note that the Secretary will report back on the implications for the Commission on the Financial Reporting Council's revised Ethical Standard.

Action: Secretary

- In relation to paragraph 16, to note that the Secretary will consult with Audit Scotland colleagues on whether to respond to the Scottish Government

consultation on the draft vision and principles for *Housing to 2040*.

Action: Secretary

- In relation to paragraph 18 and a query in this regard from Geraldine Wooley, agreed that the Director of PABV discuss with the teams overseeing work on the National Fraud Initiative and Housing Benefit Performance Audit the potential for reporting on recent increased benefit uptake, including matters relating to the impact of the Money Talk Team service provided by Citizens Advice.

Action: Director of PABV

- In relation to paragraph 25 and a query in this regard from Sheila Gunn, that more information be provided on the support provided by the Scottish Government to Highland Council in relation to housing shortages.

Action: Secretary and Director of PABV

- In relation to paragraph 26, to note that the Secretary would report further on the implications for the Commission's work of the Scottish Elections Reform Bill.

Action: Secretary

- In relation to paragraph 43, to note that the Secretary will consult with Audit Scotland colleagues on whether the Commission should respond to the call for views of the Health and Sport Committee in its inquiry into social care.

Action: Secretary

Following discussion, the Commission agreed to note the report.

6. Update report by the Controller of Audit

The Commission noted a verbal update from the Controller of Audit on his recent activity.

Arising therefrom, the Commission noted advice from the Controller that he would be reporting to the Commission at a future meeting on matters arising from the audit of Fife Integration Joint Board.

7. Improvement Service: Strategy and activities

The Commission considered a report from the Secretary introducing a presentation from Sarah Gadsden, Interim Chief Executive of the Improvement Service.

During discussion, the Commission:

- Noted its desire for further discussion with the Interim Chief Executive on matters of mutual interest, particularly around its forthcoming business plan.
- Noted advice from the Interim Chief Executive on the outcome of the strategic review of the Improvement Service conducted by its Board in conjunction with COSLA.
- Noted advice from the Interim Chief Executive, arising from a query from Christine Lester, on ongoing and proposed activities in relation to health and social care integration.
- Agreed to further consider the potential for a joint statement from the Commission and the Improvement Service in relation to their respective roles in improvement.

Action: Secretary

8. Best Value Assurance Report: The Highland Council

The Commission considered a report by the Secretary to the Commission presenting the Controller of Audit's Best Value Assurance Report for The Highland Council.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

9. Statutory Report: Glasgow City Council

The Commission considered a report by the Secretary presenting the Controller of Audit's statutory report on a matter arising from the 2018/19 audit of Glasgow City Council.

Following questions to the Controller of Audit, the Commission agreed to consider in private how to proceed.

10. Best Value Assurance Report: The Highland Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Best Value Assurance Report for The Highland Council.

Following discussion, the Commission agreed to make findings to be published on 23 January 2020.

11. Statutory Report: Glasgow City Council (in private)

The Commission discussed how to proceed in relation to the Controller of Audit's Statutory Report on a matter arising from the 2018/19 audit of Glasgow City Council.

Following discussion, the Commission agreed to make findings to be published on 6 February 2020.

12. Commission business matters

The Chair, having advised that there was no business for this item, closed the meeting.

MEETING: 6 FEBRUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND BOARD UPDATE

Purpose

1. This report provides an update on the business of the Audit Scotland Board.

Background

2. Audit Scotland is established in statute to “provide such assistance and support as the Auditor General and the Accounts Commission require in the exercise of their respective functions and, in particular, is to provide them, or ensure that they are provided, with the property, staff and services which they require for the exercise of those functions”.¹
3. Audit Scotland (i.e. its Board) consists of the Auditor General, the Chair of the Commission, and three other members.² These three members, including a Chair, are appointed by the Scottish Commission for Public Audit.³
4. As well as being a member of Audit Scotland’s Board, the Commission Chair is also a member of its two committees, the Audit Committee and the Human Resources and Remuneration Committee.
5. In [Public Audit in Scotland](#)⁴, the Commission, the Auditor General and Audit Scotland set out how they together deliver public audit in Scotland. They state that “by working together and each fulfilling our distinct roles, the Auditor General, the Accounts Commission and Audit Scotland will ensure a strong system of public audit works to support transparency and promote improvement in the performance of public bodies.”
6. To this end, the Commission at its meetings considers for its interest the business of Audit Scotland Board.

Current Board business

7. This report provides the Commission with the latest available minutes from the meeting of the Audit Scotland Board, in this case the meeting of 27 November 2019. They are attached in Appendix 1.
8. The most recent meeting of the Board was on 29 January 2020, but the minute of this meeting is not yet publicly available as it is yet to be ratified by the Board. This will be available after the next Board meeting on 25 March 2020 and considered by the Commission at its April meeting.

¹ Public Finance and Accountability (Scotland) Act 2000, Section 10(3).

² Public Finance and Accountability (Scotland) Act 2000, Section 10(2).

³ The Scottish Commission for Public Audit was established under Section 12 of the Public Finance and Accountability (Scotland) Act 2000 and is made up of 5 MSPs. Its main areas of responsibility are to (a) examine Audit Scotland’s proposals for the use of resources and expenditure and report on them to the Parliament; (b) appoint an auditor to audit the accounts of Audit Scotland; (c) lay these accounts and auditor’s report before the Parliament; and (d) appoint three of the five members of Audit Scotland’s Board, including its Chair.

⁴ *Public Audit in Scotland*, Accounts Commission, Auditor General and Audit Scotland, May 2015.

9. The Commission has agreed however that the agenda for the most recent Board meeting be provided (even if the minute is not yet available). The agenda is attached in Appendix 2. The Chair will provide a verbal update on any relevant business for members' interest and invites questions from members to this end.

Conclusion

10. The Commission is invited to consider this update for its interest and seek further information from the Chair as appropriate.

Paul Reilly
Secretary to the Commission
29 January 2020

Minutes



Wednesday 27 November 2019, 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

Present:

Ian Leitch (Chair)
Caroline Gardner
Heather Logan
Alan Alexander

Apologies:

Graham Sharp

In attendance:

Diane McGiffen, Chief Operating Officer
Martin Walker, Associate Director, Corporate Performance and Risk
Stuart Dennis, Corporate Finance Manager
Gayle Fitzpatrick, Corporate Governance Manager
Owen Smith, Senior Manager, Audit Quality and Appointments
John Gilchrist, Manager, Audit Quality and Appointments

1. Welcome and apologies

The Chair welcomed members to the public meeting of the Audit Scotland Board, the agenda and papers for which had been published on Audit Scotland's website on Monday 25 November 2019.

The Chair noted Graham Sharp, Chair of the Accounts Commission, had shared his apologies and given notice that he was content the meeting proceed in his absence, in accordance with the Standing Orders.

The Chair welcomed Accounts Commission members Andrew Burns, Elma Murray and Tim McKay as observers as part of the Board's commitment to developing effective engagement with Accounts Commission members.

2. Declarations of interest

There were no declarations of interest.

3. Decision on items to be taken in private

The Board agreed the items to be taken in private as set out on the agenda.

4. Chair's report – verbal update

The Chair provided a verbal update of meetings with Diane McGiffen, Chief Operating Officer, engagement with Parliamentary officials on succession planning and Board recruitment.

The Chair congratulated Alan Alexander on his appointment as Chair of the Board effective from 1 April 2020.

The Board welcomed the update.

5. Accountable Officer's report – verbal update

Caroline Gardner advised that, since the previous meeting of the Board, three NHS reports had been published including the NHS Overview, NHS Tayside and NHS Highland, all of which had received extensive interest and media coverage.

Caroline advised that the UK general election on 12 December 2019 had led to a publications embargo until the week commencing 16 December 2019 in line with usual practice and that several reports would now be published between 16 and 20 December 2019. Caroline invited the Board to note that the general election also delayed the Scottish budget and discussions were underway with the Scottish Commission for Public Audit in relation to Audit Scotland's budget submission.

Caroline invited members to note her engagement with the UK and Ireland Auditors General in London on 8 November 2019 and her attendance, together with Fraser McKinlay, Director and Controller of Audit, and Antony Clark, Audit Director, Performance Audit and Best Value, at a meeting of the UK Public Accounts Commission Network with the Isle of Man, Guernsey and Jersey hosted by the Scottish Parliament on 22 November 2019. Caroline also advised she has been asked to join the recruitment panel for the new Chair of the National Audit Office.

Caroline advised of an external speaking engagement at the Fraser of Allander event on 12 November 2019 and her appointment to the International Federation of Accountants effective from January 2020.

Caroline invited the Board to note that Audit Scotland's high-level results from the year's Best Companies survey had increased, despite a difficult audit year, and that a briefing would come to the Board in due course.

Heather Logan noted the reference to the new body Public Health Scotland and Caroline confirmed this would be an Auditor General for Scotland audit and that the fee for the audit had been included in Audit Scotland's budget proposal.

Heather Logan reflected on the various meetings with other audit agencies and asked whether there were any gaps when comparing quality framework arrangements. Caroline advised that Audit Scotland's quality framework is generally considered to be the most comprehensive and that the other UK audit agencies continue to develop their quality arrangements with reference to the framework.

The members welcomed the update.

6. Accounts Commission Chair's report – verbal update

In the absence of Graham Sharp, Chair of the Accounts Commission, there was no update.

7. Review of minutes: Board meeting 18 September 2019

The Board considered the minutes of the meeting of 18 September 2019, which had been previously circulated and agreed that these were an accurate record of the meeting.

Alan Alexander recommended that the action under item 17, a further discussion on public meetings of the Audit Committee should be scheduled at the end of 2020, after the appointment of a new Chair of the Audit Committee. The Board agreed that Action ASB98 on the action tracker would be updated accordingly.

8. Review of minutes: Audit Committee 4 September 2019

The Board considered the minutes of the meeting of the Audit Committee on 4 September 2019, which had been previously considered and approved by the Audit Committee on 13 November 2019. The Board confirmed these were an accurate record of the meeting.

9. Review of action tracker

The Board noted the updates provided on the action tracker and agreed that Action ASB98 would be amended as agreed to be considered after September 2020.

10. 2019/20 Q2 Financial performance report

Stuart Dennis, Corporate Finance Manager, joined the meeting.

Stuart Dennis introduced the 2019/20 Q2 Financial performance report, a copy of which had been previously circulated.

Stuart invited the Board to note the financial results for the six months to 30 September 2019.

Heather Logan asked if the increases of agency staff throughout the year impacted on IT hardware, software and licence requirements. Stuart advised that short term licences were available if required and Martin Walker, Associate Director, Corporate Performance and Risk advised that there is sufficient hardware in place.

Following discussion, the Board noted the report.

Stuart Dennis left the meeting.

11. 2019/20 Q2 Corporate performance report

Martin Walker, Associate Director, Corporate Performance and Risk, joined the meeting.

Martin Walker introduced the 2019/20 Q2 Corporate performance report, a copy of which had been previously circulated.

Martin invited the Board to note performance in the quarter remained strong in terms of delivery and budget, with many audit reports delivered ahead of schedule and the continued development of the performance management framework. Martin also highlighted the inclusion of data and trend information in the report.

Heather Logan sought clarification on data sources for respective business groups and Martin advised that consultation with each group had ensured these are captured.

Heather noted the delivery of 90 additional audit reports in the quarter and in light of staffing pressures asked whether the audit teams should adhere to the planned outputs. Martin clarified that the annual workforce planning supports the annual work programme and the figures reported quarterly are a subset of that. He advised that the timing of individual audits would not impact materially on staffing pressures.

Caroline Gardner advised that delivery of audit reports are planned by the Audit Directors liaising with their teams and where work has been concluded earlier than scheduled, the teams use the time to undertake planning for the next audit year.

Alan Alexander noted the statistics for downloads on social media and asked how impact is measured in this area. Martin advised that the statistics provide quantitative information about getting audit messages out and that qualitative measures on impact feature elsewhere in the performance reports. Diane McGiffen advised that the Communications and Engagement Strategy is scheduled to come to the Board at its meeting on 29 January 2020 and will include information on measuring media reporting.

Heather Logan asked if the overall quality of training should be reported as amber given the staff quality survey results on the time available for training. Diane McGiffen highlighted the range of data available to assess the quality of training, of which the quality survey is one important part. Alan Alexander noted the drop in exam performance and Diane confirmed that Audit Scotland have a detailed training plan for each trainee and that support is in place to help where any additional help is required. Diane also advised that results had been benchmarked against other users of the ICAS training and that Audit Scotland results compared favourably.

She invited members to note the recent graduate training evening which attracted more than 50 people and provided them with the opportunity to learn more about the scheme from current trainees and ICAS.

Heather Logan asked about the variance in staff and agency costs and the likely outcome on the year end expenditure. Diane advised that the overall budget for the current financial year is tight as previously reported and advised that forecasting indicates there are no current concerns of an overspend for 2019/20.

12. 2019/20 Q2 Strategic improvement programme update

Martin Walker introduced the 2019/20 Q2 strategic improvement programme update, a copy of which had been previously circulated.

Martin Walker invited the Board to note the good overall progress made on the new code of audit practice and audit appointments project, refinement to the audit approach, ongoing work on Best Value methodology for councils and Integrated Joint Boards and the wide range of IT development projects implemented in the quarter.

Heather Logan asked how the principles of Community empowerment would impact Audit Scotland. The Chair invited Elma Murray, member of the Accounts Commission leading on work in this area and observing the meeting to provide an update.

Elma Murray advised that the Strategic Scrutiny Group had published a report in the summer which had been well received across local government. Elma advised that she and two other members of the Accounts Commission were in early stage discussions to explore how community engagement can be supported and reflected in the audit with an appropriate timeline for implementation.

Following discussion, the Board welcomed the progress reported.

EU withdrawal – verbal update

Diane McGiffen advised the Board of the publication of a further briefing note to be published on 16 December 2019 which summarised information on public organisations' preparedness for EU withdrawal.

Diane also invited the Board to note that a series of information drop in sessions for colleagues had been scheduled in Edinburgh and Glasgow during October and November, ongoing engagement across sectors and with the audit firms and that Audit Scotland's business continuity group continue to review and update arrangements as appropriate.

The Board welcomed the update.

13. Review of standing orders 2019

Gayle Fitzpatrick, Corporate Governance Manager, joined the meeting.

Gayle Fitzpatrick introduced the Review of standing orders 2019, a copy of which had been previously circulated.

Gayle Fitzpatrick invited the Board to consider and approve the updated Standing Orders as recommended by the Audit Committee.

The Board approved the Standing Orders as recommended by the Audit Committee.

Gayle Fitzpatrick left the meeting.

14. Any other business

There was no further business.

15. Review of meeting

The members welcomed the reports which had had prompted good discussion and the Chair thanked everyone for their contributions.

16. Date of next meeting: 29 January 2019

The members noted the date of the next meeting of the Audit Scotland Board scheduled for 29 January 2019 in the offices of Audit Scotland, 102 West Port, Edinburgh.

Items taken in private

17. 2020/21 SCPA Budget proposal

Stuart Dennis joined the meeting.

Stuart Dennis introduced the draft 2020/21 SCPA Budget proposal report, a copy of which had been previously circulated.

Stuart Dennis invited the Board to review and comment on the draft 2020/21 Budget Proposal and approve the Scottish Commission for Public Audit (SCPA) budget submission.

Stuart advised that the delay of the publication of the UK and Scottish budgets until after Christmas 2019 would impact on the timing of the submission and its consideration by the SCPA. Following discussion, the Board agreed Diane McGiffen would liaise with the SCPA to confirm the timing of the submission of Audit Scotland's budget proposal.

Turning to the budget, the Board considered the detailed submission which built on previous years' investment in staff to deliver the expanded audit work covering the devolved financial powers.

The Board discussed and agreed some detailed amendments to the presentation of information contained within the budget submission, before approving its submission to the SCPA.

Diane McGiffen advised that next steps included a report to the Accounts Commission on the billing of audited bodies to commence the collection of audit fees.

The Board welcomed the report.

Stuart Dennis left the meeting.

Action ASB100: Diane McGiffen to liaise with the SCPA on the timing of Audit Scotland's budget submission. (December 2019)

18. Audit quality framework review

Owen Smith, Senior Manager, and John Gilchrist, Manager, Audit Quality and Appointments, joined the meeting.

Owen Smith introduced the Audit quality framework review, a copy of which had been previously circulated.

Owen Smith invited the Board to note the revised Audit Quality Framework had been considered by the Audit Committee at its meeting on 13 November 2019 and sought the Board's approval.

The Board considered and approved the revised Audit Quality Framework.

19. New audit appointments update

Alan Alexander, Chair of the Steering Group, introduced the New audit appointments update, which had been previously circulated.

The Board noted that the Chair of the Accounts Commission was not in attendance at the meeting and therefore was unable to participate in the discussion.

Alan invited the Board to consider the good progress overall and the work of the project team. In particular he highlighted that:

- a draft version of the code has been produced and has already completed a revision cycle based on comments from a range of interested parties
- project governance arrangements have been clarified and these have been detailed in a Project Initiation Document which was approved by the Steering Group on the 3 October 2019
- the market Engagement Exercise has been completed and follow up discussions with market participants are in progress for clarification purposes.

The Board welcomed the progress reported.

Turning to the development of the Code of Audit Practice, Alan advised of his concerns relating to papers considered by the Accounts Commission on 14 November 2019. He advised that these contained a version of the draft Code which differed from that circulated to the Steering Group. Alan invited members to note his request for an explanation as to the breach of good governance and due process and advised of his disappointment at not having received a satisfactory response from the Chair of the Accounts Commission to date. The Chair expressed his concerns on this matter and requested an explanation in early course.

The Board noted the issues set out in the report and welcomed the extension of the forthcoming Steering Group meeting on 4 December 2019 to discuss and resolve the questions raised, recognising the risk that delay to progress may compromise meeting the timeline for finalising the Code of Audit Practice for formal consultation.

The Board and the members expressed their confidence in the work of the Steering Group and agreed the need to maintain good governance. The Chair advised that if no satisfactory resolution is reached to the issues raised this should be brought back to the Board as a matter of urgency.

Owen Smith and John Gilchirst left the meeting.

20. Board development update

Diane McGiffen introduced the Board development update report, a copy of which had been previously circulated.

Diane McGiffen invited the Board to consider the progress made on actions arising from the Board development event on 24 October 2019 which included members of the Accounts Commission observing meetings of the Audit Committee and the Board and identify any further actions they wish to take forward.

The Board welcomed the progress reported and confirmed its commitment to implementing the actions identified.

Agenda



Wednesday 29 January 2020 at 10.15am

Audit Scotland offices, 102 West Port, Edinburgh EH3 9DN

1. Welcome and apologies
 2. Declarations of interests
 3. Decision on items to be taken in private For approval
-

Standing items

4. Chair's report – verbal update For information
 5. Accountable Officer's report – verbal update For information
 6. Accounts Commission Chair's report – verbal update For information
 7. Review of draft minutes: Board meeting 27 November 2019 For approval
 8. Review of action tracker For information
 - Closing action ASB97
-

Business management

9. EU withdrawal update For information
 10. Best Companies survey results 2019 For information
-

Governance

11. ONS reclassification of Audit Scotland For information
 12. Audit Committee Terms of reference For approval
 13. Transition planning for Auditor General and Board appointments For information
-

Conclusion

14. Any other business
15. Review of meeting

16. Date of next meeting: 25 March 2020

Items to be taken in private

- 17. Communications and engagement strategy 2020-23 For approval
[Item to be taken in private to support effective conduct of business, intended for future publication]

- 18. Stakeholder engagement and feedback For information
[Item to be taken in private to support effective conduct of business]

- 19. New audit appointments update For discussion
[Item to be taken in private to support effective conduct of business]

MEETING: 6 FEBRUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

UPDATE REPORT

Introduction

1. The purpose of this report is to provide a regular update to the Commission on significant recent activity relating to local government, as well as issues of relevance or interest across the wider public sector.
2. The regular Controller of Audit report to the Commission which updates the Commission on his activity complements this report. The Commission's Financial Audit and Assurance Committee also receives a more detailed update on issues relating to local government. This report also complements the weekly briefing provided by Audit Scotland's Communication Team made available on the extranet site, which provides more detailed news coverage in certain areas.
3. The information featured is also available on the Accounts Commission member portal. Hyperlinks are provided in the electronic version of this report for ease of reference.

Commission business

Publications

4. Audit Scotland collects [media coverage](#) on all the reports published by the Accounts Commission. Audit Scotland also provides a weekly summary of the [key media stories regarding local government](#). Both are available through Audit Scotland SharePoint, on the Accounts Commission Members' Extranet.
5. The download statistics of the reports published over the last 12 months (as at 20 January) are set out in the **Appendix**.
6. On 14 January the Commission [published](#) the Housing Benefit Performance audit: annual update 2019. The report found that the roll-out of Universal Credit across Scotland is impacting on council benefits services. Councils are significantly re-structuring benefit services, and the reducing housing benefit caseload and budget pressures are leading to less full-time benefit service employees. The report was accompanied by a letter from the Commission Chair to all council chief executives.
7. On 16 January the Commission and the Auditor General for Scotland [published](#) their joint performance audit report on Scotland's City Region and Growth Deals. This report concluded that deals have been positive for Scotland's economy, but the government does not have a plan to measure their overall long-term success.
8. On 23 January the Commission [published](#) the Best Value Assurance Report on Highland Council. The report noted that in recent years the council has had a poor record of delivering on savings. It must also increase the current pace of change to realise budget savings of up to £77.3 million by 2023. At the same time, over the last five years, the performance of many services has declined against national indicators,

notably education. The council must also get better at evaluating and reporting on its own performance. This will help Highland Council understand why service performance is falling and drive forward improvement that's necessary for the future.

Other business

9. On 30 December the Scottish Government published a consultation seeking views on extending the duration of Part 2 Order making powers under the Public Services Reform (Scotland) Act 2010 for a further 5 year period from June 2020. The consultation closes on 12 February. Audit Scotland submitted a response on behalf of the Commission and Auditor General indicating our contentment with the proposal. A copy of the response can be found on the members' sharepoint site.
10. On 8 January, the Commission Chair and Controller of Audit, along with Brian Howarth, Audit Director; Christopher Lewis, Senior Auditor; and Lisa Duthie, Senior Auditor; briefed the Scottish Parliament's Local Government and Communities Committee on the Commission's 'Local government in Scotland: Financial overview 2018-19' report.

Auditor General for Scotland

11. On 17 December the Auditor General [published](#) a section 22 report¹ on the Scottish Police Authority. This report highlights that some progress has been made over the last year amid a raft of new appointments to Police Scotland, including a new chief constable and three deputies, and seven new members to the SPA Board. However, there still exists some concerns about the SPA's capacity and capability to carry out its corporate functions such as long-term workforce, IT and financial planning.
12. On 18 December the Auditor General [published](#) the section 22 report, 'The 2018/19 audit of NHS Lothian: Delay to the opening of the Royal Hospital for Children and Young People'. The report sets out the facts as they are known and draws on the reviews already carried out by KPMG and NHS National Services Scotland, as well as NHS Lothian's annual audit report. It comes ahead of a public inquiry into the hospital project and raises broader issues for consideration.
13. On 19 December the Auditor General [published](#) a section 22 report on Disclosure Scotland. The report notes that there were significant failings in control and oversight for the new PASS system. In 2015, the Scottish Government approved a budget of £34 million. The project cost has now risen to an estimated £78 million. The system only just met a deadline for roll-out in September this year. It has yet to deliver full transformation and still requires manual work by temporary staff. The Auditor General said over-optimistic assumptions were compounded by lack of financial reporting and governance of the project.
14. On 21 January the Auditor General [published](#) a briefing paper about student loans in Scotland. The paper highlights several aspects of student loan arrangements in Scotland, including growing costs and debt levels. Key points from the paper include:
 - Total loan debt increasing from £2.5 billion in 2011 to £5.5 billion in 2018-19
 - £590m of the 2018-19 total loan debt impaired by the Scottish Government, reflecting the planned increase in the loan repayment threshold to £25,000

¹ A section 22 report allows the Auditor General to bring attention to Parliament and the public matters of wider interest arising from the annual audits of public bodies. It is the sixth successive section 22 report she has presented on the SPA.

- Over £533m of loans authorised in 2018-19 – an increase of 185% since 2008-09, with poorer students borrowing more
- And 505,800 individuals with loan debt still to repay as of April 2019.

Audit Scotland

15. Throughout January and February Audit Scotland organised several informal drop-in sessions for colleagues to cover the latest news regarding the UK's withdrawal from the European Union and how the organisation is preparing for this.

Issues affecting local government

Scottish Government

16. On 5 November the Scottish Government [published](#) its consultation on the replacement of European Structural Funds in Scotland post EU-exit. Scotland benefits from over £780m of such funding through the European Regional Development Fund and the European Social Fund. The UK Government has indicated its intention to provide successor funding to European Structural Funds through its proposed UK Shared Prosperity Fund and the Scottish Government is seeking views on how best to develop our own thinking on how any replacement funding vehicle can best meet the needs of citizens, businesses and communities. In discussion with Audit Scotland, it is proposed not to respond to this consultation as there is no direct audit interest. The Commission and Audit Scotland will of course retain an interest in this significant matter.
17. On 18 December the Scottish Government [published](#) the annual report on the social security experience panels.
18. On 18 December the Scottish Government [published](#) the progress report, 'A Fairer Scotland for Disabled People'. The Commission and Auditor General's 2014 and 2017 reports on self-directed support are referred to.
19. On 18 December Michael Matheson MSP, Cabinet Secretary for Transport, Infrastructure and Connectivity, [announced](#) that that the contract with Abellio would end three years ahead of schedule. Michael Matheson MSP emphasised that the Scottish Government would continue to support and work with Abellio up until the franchise contract ended in 2022 and that investments in the railway network would continue.
20. On 19 December the First Minister [called](#) on the UK Government to permit the transfer of powers to hold a second independence referendum. Alongside the statement, Nicola Sturgeon MSP [published](#) 'Scotland's right to choose: putting Scotland's future in Scotland's hands' which argues the case for devolving powers on a permanent basis. Annex B of the document contains draft legislation to enable the transfer.
21. On 19 December the Scottish Government [launched](#) the First Home Fund, a national pilot scheme intended to help first-time buyers get on the property ladder. Applications will provide £150m until March 2021 to assist at least 6,000 people with the deposit for a new home.
22. On 3 January the Scottish Government [published](#) the National Islands Plan. This sets out 13 objectives to improve the quality of life for island communities and more than 100 "specific measures" to support achieving them. The Plan aims to tackle population decline and climate change, improve transport, housing, the delivery of public services

and digital connectivity. Audit Scotland and the Accounts Commission are listed as Scottish public bodies with mixed functions or no reserved functions. At its August 2018 meeting, the Commission considered a briefing paper on Scotland's rural and islands policy which summarised how Audit Scotland reflects rural issues in its work, both currently and into the future. The Commission noted Audit Scotland's proposed approach to maintaining a "rural lens" and integrating rural perspectives into future audit.

23. On 3 January the Scottish Government [published](#) analysis on the Regeneration Capital Grant Fund, which shows the projects it has funded. The projects, which have received £138m from the Fund, have the potential to support over 400 community facilities and services, help more than 2,279 businesses and refurbish 178 buildings.
24. On 6 January the Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay MSP, [wrote](#) to the Chancellor of the Exchequer, Sajid Javid MP, asking for clarity on the timing of the UK budget. He highlighted the uncertainty around the Scottish Budget 2020-21 caused by the delay to the UK budget. The letter also emphasised the importance of the Conservative manifesto pledge to increase Barnett consequential and increase next year's Scottish Budget by at least £466m compared to the position at the UK Spending Round.
25. On 6 January the Scottish Government [published](#) a progress update on its reform of employability support as set out in the No One Left Behind Action Report.
26. On 7 January the Scottish Government [published](#) a follow-up report on the impact of the UK Government's social security policy on housing. The report concluded the benefit freeze could reduce Scottish welfare spending by £300m a year, affecting the majority of the 460,000 Scottish households currently claiming housing benefits. Updated analysis on Local Housing Allowance (LHA) suggested 36 out of 90 LHA rates saw a reduction in the proportion of the market available, with four areas having access to less than 5%, and that the share of the market accessible to under 35s within the LHA rate had decreased in all areas. As of March 2019, the report indicated rent arrears on all council properties had increased by 14% on last year, to £74m. In the five council areas in which Universal Credit had been introduced in 2016-17, rent arrears had increased by an average of 14.1% compared to 4.1% in all other council areas.
27. On 7 January the co-leader of the Scottish Green Party, Patrick Harvie MSP, [wrote](#) to Derek Mackay MSP explaining the Greens will only support the Scottish Government's 2020-21 budget if it is a "*climate emergency budget*" which contains significant measures to address the climate emergency.
28. On 8 January the Scottish Government [launched](#) a consultation on the first [draft Corporate Plan for Scottish Forestry 2020-23](#). The deadline to respond is Wednesday 5 February. It is not proposed that the Commission provides a response to the consultation.
29. On 8 January the Scottish Government [announced](#) they will devolve new powers to local authorities to allow them to regulate short-term lets. This will provide local authorities with the ability to implement a licensing scheme for short-term lets from spring 2021. The licensing scheme will include a new mandatory safety requirement that will cover every type of short-term let to ensure a safe, quality experience for visitors. It will also give councils the discretion to apply further conditions to address the concerns of residents. Councils will be able to designate control areas to ensure that planning permission will always be required for the change of use of whole

properties for short-term lets.

30. On 10 January the Scottish Government [launched](#) a public information campaign to encourage families to enrol children for funded early learning and childcare places for August. From August, all three and four-year-olds and some eligible two-year-olds will be entitled to 1,140 hours of childcare per year. Parents and carers will be able to register through their council and apply for either a local authority, private or third sector nursery or a playgroup or childminder, depending on local availability and their child's needs.
31. On 10 January the Scottish Government [published](#) an analysis of responses to a consultation on improving temporary accommodation standards. The consultation covered two key issues – that the use of unsuitable temporary accommodation should be limited to seven days and the creation of a set of advisory standards to ensure this could be introduced as a legally enforceable framework. Respondents endorsed the Scottish Government's proposals in principle but differed on how the changes should be implemented. There was concern in terms of the difficulty local authorities could experience in managing transitions in the short term, with fear expressed the proposed changes could come at the detriment of their implementation of Rapid Rehousing Transition Plans.
32. On 10 January Scottish Government Minister, Paul Wheelhouse MSP, [updated](#) the Scottish Parliament on the details of the South and Central lot R100 contracts, which is part of the digital connectivity programme. He confirmed any properties which were not targeted through the contracts, or would benefit from them after 2021, would be eligible for a voucher scheme funded by the Scottish Government. Members also heard the R100 programme would now not be completed until 2023 at the earliest.
33. On 10 January the Scottish Government [announced](#) an initiative to develop and maximise the economic potential of the River Clyde. It will be led by the Scottish Government, with input from Scottish Enterprise and others. The initiative will strengthen industries on the Clyde, including shipping, shipbuilding and engineering. It will also encourage investment in the Clyde area by bringing vacant land back into productive use, attracting visitors to the area and using energy from the Clyde to heat local housing.
34. On 13 January the Cabinet Secretary for Finance, Economy and Fair Work Derek Mackay MSP [wrote](#) to the Chief Secretary to the Treasury, Rishi Sunak MP, to seek more flexibility from the UK Government to allow the Scottish Government to finalise its Budget. In the letter, the Cabinet Secretary highlights his "*disappointment*" that there was no communication with the Scottish Government ahead of the announcement from the Chancellor that the UK Budget would take place on Wednesday 11 March. Derek Mackay also highlights the "*significant challenges*" which the delay to the Budget presents for the Scottish Government, Scottish Parliament and local authorities.
35. On 14 January the Scottish Government [announced](#) the Scottish Budget will be published on Thursday 6 February. The announcement follows the news that the UK Budget will be published on Wednesday 11 March. In his [letter](#) to the Finance & Constitution Committee, Derek Mackay MSP is proposing a "*compressed timetable*" for the Budget Bill, introducing it to Parliament on the same day as its publication. The Cabinet Secretary then envisages the Stage 1 process will start the week beginning Monday 24 February, with Stages 2 and 3 commencing on Monday 2 March.
36. On 14 January the Scottish Government [published](#) the first annual progress report of the Ending Homelessness Together Action Plan. The report highlights that 39 out of 49

measures have been progressed in the first year of the plan, with plans to commence the ten which remain this year. Proposals which are underway include work to transform services to provide access to permanent and stable accommodation. This includes the creation of a new legal duty on public bodies to prevent homelessness and legislation preventing stays of over seven days in unsuitable temporary accommodation for those at risk of homelessness.

37. On 15 January the Scottish Government [published](#) the Cyber Resilience Framework. This framework sets out a way to provide a consistent way for Scottish public sector organisations to assess their cyber resilience arrangements and identify areas of strength and weakness. A self-assessment tool has been [prepared](#) for public sector organisations to help them implement the framework. Audit Scotland intends to produce guidance on this as well as organise a series of knowledge cafés. Audit Scotland will also produce a blog during Cyber Week from 17 to 22 February.
38. On 20 January the First Minister [announced](#) additional funding for the 'Stay in Scotland' campaign, which has been awarded over £570,000 so far to provide advice and support for EU citizens remaining in the UK after Brexit. Citizens Advice Scotland will receive an extra £10,000 to expand its legal support service for those with complex cases who are applying to the EU Settlement Scheme. JustRight Scotland, a legal centre for justice and human rights, will also receive £7,000 to develop guidance for EU citizens on life in the UK, including advice on healthcare, education, housing and benefits.
39. On 21 January the Scottish Government [published](#) key findings from the Scottish House Condition Survey (SHCS) 2018. The [SHCS](#) found that in 2018, 49% of Scottish homes had a rating of EPC band C or better in relation to energy efficiency, continuing to improve the energy efficiency profile of housing from 24% in 2010. 25% of households were estimated to be in fuel poverty, a slight increase on the 23.7% observed in 2017, while the percentage of those in extreme fuel poverty fell slightly from 11.9% to 11.3%. The level of disrepair present in properties increased by 7%, with 75% of dwellings having some degree of disrepair and 30% exhibiting instances of urgent disrepair. In 2018, 41% of homes failed to meet the Scottish Housing Quality Standard, similar to 2017 levels but a decrease on the rate of 45% found in 2016.
40. On 22 January the Scottish Government [opened](#) a consultation on Scottish public authorities sharing data. The consultation focuses on devolved secondary legislation relating to powers in the Digital Economy Act 2017 to share data in connection with public sector debt and fraud. The [consultation](#) will close on Monday 13 April. It is proposed not to respond to this consultation.
41. On 23 January the Scottish Government [published](#) a report on the impact of welfare reforms on disabled people. The report focuses on the introduction of Personal Independence Payments (PIP), and highlights that since Disability Living Allowance was replaced with PIP, 167,000 new claims have been unsuccessful, which is 54% of all applications. The analysis produced by the Scottish Government also shows 39,000 people in Scotland lost their disability benefits during the transfer to PIP.

Scottish Parliament

42. On 19 December the Scottish Parliament approved the Referendums (Scotland) Bill at Stage 3. At [Decision Time](#), the Government [motion](#) passed (For 68, Against 54, Abstentions 2), with the SNP and the Greens supporting the motion. Labour, the Conservatives and the Liberal Democrats opposed the motion, and Neil Findlay and Monica Lennon abstained from the vote. The legislation sets out the general rules for holding a future referendum, but a separate Bill would be required for a second

independence referendum to take place.

43. On 6 January the Scottish Government published a response to a parliamentary question submitted by Miles Briggs MSP. Mr Briggs previously asked how much each local authority received in the current financial year for the extension of free personal care to people under 65. The Scottish Government [published](#) a table to highlight the financial allocation by Local Authority in 2019/20 for the extension of Free Personal Care to under 65s.
44. On 7 January the Scottish Parliament's Information Centre (SPICe) [published](#) a briefing on the implications of the revised Withdrawal Agreement Bill on Scotland.
45. On 9 January the Scottish Parliament voted to refuse granting consent to the UK Government's Withdrawal Bill. The Scottish Government motion was agreed to (For 92, Against 29) despite Conservative opposition.
46. On 9 January at First Minister's Questions, Alexander Stewart MSP asked Nicola Sturgeon MSP about reports that local authorities have had to use cash reserves to balance their budgets. Nicola Sturgeon defended the Scottish Government's funding of local government. Alexander Stewart MSP referenced the Accounts Commission's Local Government Financial overview report on the rising demands being faced by councils and the growing challenges to meet those needs.
47. On 13 January SPICe [published](#) its latest briefing on Brexit.
48. On 14 January SPICe [published](#) a briefing on the Scottish National Investment Bank Bill ahead of a Stage 3 debate.
49. On 15 January SPICe [published](#) its latest briefing on Scotland's prison population. The average prison population in 2018-19 was 7,790, an increase of 325 prisoners from the 2017-18 average. The increased average included an additional 165 prisoners on remand.
50. On 15 January the Scottish Parliament voted to order an investigation into broad general education and the Curriculum for Excellence. The [amended motion](#) was agreed to (For 63, Against 60).
51. On 20 January SPICe [published](#) a briefing on negotiating the future economic and security relationship between the EU and the UK after Brexit.
52. On 21 January the Scottish Parliament [unanimously](#) passed the Scottish National Investment Bank Bill. The new Bank will direct investments to small and medium sized enterprises, build a high-tech economy and encourage innovation.
53. On 22 January Labour held a debate in the Scottish Parliament calling for the Scottish Government to increase funding for local government. During the debate, [Graham Simpson](#) referred to the Accounts Commission's local government overview report which found there had been a 7.6% real-terms reduction to council funding since 2013-14. He [spoke about](#) the same report again in a later contribution. [Alexander Stewart](#) also referred to the Accounts Commission's concerns about real-terms reductions to council budgets. [Murdo Fraser](#) said Audit Scotland had warned council services outside of health, police, early learning and childcare, secondary school attainment, higher education and social security could face a real-terms reduction in their budgets. [Monica Lennon](#) pointed to the Commission and Auditor General's findings on the pace of health and social care integration in her remarks. Following division, the motion and

amendments were disagreed to.

Parliamentary Committee News

Local Government and Communities Committee

54. On 7 January the Committee published the submissions from several organisations regarding the Non-Domestic Rates (Scotland) Bill, including from [Sainsburys](#), the [Scottish Beer & Pub Association](#) and the [Scottish Retail Consortium](#).
55. On 8 January the Committee:
 - Took evidence from Aileen Campbell, the Cabinet Secretary for Communities and Local Government, and Dr Elaine Moir, who is the Scottish Government's team leader on access to sanitary products and social innovation partnerships, on the Period Products (Free Provision) (Scotland) Bill.
 - Took evidence from Graham Sharp, chair of the Accounts Commission; Fraser McKinlay, Controller of Audit; Brian Howarth, Audit Director; Christopher Lewis, Senior Auditor; and Lisa Duthie, Senior Auditor, on the Accounts Commission's 'Local government in Scotland: Financial overview 2018-19' report.
 - Agreed to keep the petition from Cartcraigs Road tenants association open.
56. On 15 January the Committee took evidence from Monica Lennon MSP on the Period Products (Free Provision) (Scotland) Bill.

Public Audit and Post Legislative Scrutiny Committee

57. On 19 December the Committee continued its post-legislative scrutiny of the Freedom of Information (Scotland) Act 2002 by taking evidence from Graeme Dey MSP, Minister for Parliamentary Business and Veterans and other officials from the Scottish Government.
58. On 9 January the Committee took evidence from Caroline Gardner, Auditor General for Scotland; Mark Roberts, Audit Director for Performance Audit and Best Value; and Stephen Boyle, Audit Director for Audit Services, on the section 22 report, 'The 2018/19 audit of the Scottish Police Authority.'
59. On 16 January the Committee:
 - Took evidence from Caroline Gardner, Auditor General for Scotland; Michael Oliphant, Senior Audit Manager for Audit Services at Audit Scotland; and from Deloitte LLP, Pat Kenny, Director, and Karlyn Watt, Senior Manager, on the section 22 report, 'The 2018/19 audit of Bòrd na Gàidhlig: Governance and transparency.'
 - Took evidence from Caroline Gardner, Auditor General for Scotland; Leigh Johnston, Senior Manager, Performance Audit and Best Value, Audit Scotland; and Chris Brown, a partner at Scott-Moncrieff, on the section 22 report, 'The 2018/19 audit of NHS Lothian: Delay to the opening of the Royal Hospital for Children and Young People.'

Finance and Constitution Committee

60. On 20 December the Committee launched a [call for evidence](#) on Scotland and the UK Internal Market after Brexit. The UK Internal Market and how it operates will impact on a wide range of Scottish organisations, including Scottish businesses, environmental

and consumer organisations. The Committee welcomes written submissions on issues such as what the UK internal market is; how international treaties, including trade deals, impact on the UK internal market; what are the priorities and challenges for Scottish businesses and organisations in operating within a UK internal market; and what institutional structures will be required to administer and enforce the UK internal market. The deadline to respond is Friday 28 February. It is proposed not to respond to this call for evidence but rather to keep a watching brief in its progress. The committee has also published a [summary](#) of comparative research on how internal markets operate in other countries.

61. On 8 January the Committee took evidence from Michael Russell MSP, the Cabinet Secretary for Government Business and Constitutional Relations, on the legislative consent memorandum for the European Union (Withdrawal Agreement) Bill.
62. On 14 January the Committee [outlined](#) its proposed timetable for scrutiny of the 2020-21 Scottish Budget. The Scottish Budget is due to be published on Thursday 6 February. The Committee suggests that it takes oral evidence from Derek Mackay MSP on Wednesday 12 February, with the Stage 1 debate taking place by Thursday 27 February. Stages 2 and 3 would then be held on Wednesday 4 and Thursday 5 March, respectively. The Committee has also noted it is “*essential*” there is transparency about how the Fiscal Framework will operate in relation to 2020-21 and called for clarity over which set of forecasts will inform the Block Grant Adjustments.

Other Committees

63. On 18 December the Health & Sport Committee [published](#) a letter from Cabinet Secretary for Health Jeane Freeman about the scrutiny of NHS boards. The letter contains information on various topics, including IJB leadership, financial sustainability, CAMHS, cancer performance and recruitment. The Auditor General’s report on the NHS in Scotland and her comments about the Health and Social Care Medium Term Financial Framework are noted.
64. On 20 December the Scottish Parliament’s Rural Economy and Connectivity Committee announced that they would be holding an inquiry into the awarding of Ferguson Marine ferry contract.
65. On 14 January the Standards, Procedures & Public Appointments Committee [published](#) its Stage 1 report on the Scottish Elections (Reform) Bill. The Committee notes “*a fair amount of confusion*” had been caused by the Bill’s enabling measures for electronic voting and recommends the Government act with caution in any pilots of electronic voting and that it publish timetables for these. While broadly supportive of the general principles of the Bill, the Committee notes its disappointment the Government had not “*prioritised research*” into the Bill’s proposed changes to local government elections. On the changes themselves, the Committee expresses its support for a review of the multi-member ward system in the next Parliament and for the Bill’s provisions for two and five member wards, which it says would be “*particularly useful in more remote or rural areas*”. The Committee notes concerns around the ordering of ballot papers and recommends the Government thoroughly assess any changes to ballot papers, following pilots. I will be reporting further to the Commission on the implications and progress of this bill.

Public Policy News

66. On 18 December the UK Government [published](#) the final report from the independent review on the quality and effectiveness of audit. The final report makes 64 recommendations, including the establishment of a new corporate auditing profession

with a “*unifying purpose*” and set of principles. It also makes recommendations in relation to communication and transparency within the audit process and audit report and the effectiveness of companies’ internal controls over financial reporting. I am liaising with Audit Scotland about reporting further on the implications of the report.

67. On 18 December the Financial Reporting Council [published](#) a response to Sir Donald Brydon’s independent [review](#) into the quality and effectiveness of auditing. Audit Scotland will report further to future meetings in this regard.
68. On 20 December it was [announced](#) that John Watt had been reappointed as Chair of the Parole Board for Scotland.
69. On 3 January Citizens Advice Scotland (CAS) [called](#) on the Scottish Government to provide increased funding for households across Scotland to make their homes more energy efficient. CAS claims this will help contribute to the Scottish Government’s aim of making Scotland net zero by 2040.
70. On 3 January the Educational Institute of Scotland (EIS) released new figures which suggested that, over the last year, almost £300,000 has been paid out to teachers and lecturers who were injured at work over the past year. The payments are significantly up on the £230,000 paid out in 2018.
71. On 7 January the Scottish Government [announced](#) the appointment of Nick Halfhide as interim Chief Executive for the South of Scotland Enterprise agency. Mr Halfhide currently serves as the Director of Sustainable Growth at Scottish Natural Heritage, he will take up the role in February until a permanent appointment can be made.
72. On 10 January the Fraser of Allander Institute [responded](#) to the announcement that the UK Budget will take place on Wednesday 11 March. It has been suggested that the Scottish Government seek to finalise all elements of the Budget prior to Wednesday 11 March or, with the approval of Parliament, bring forward Stage 1 and 2 of Budget scrutiny and push back the final elements of the legislative progress of the Budget to allow for necessary adjustments. The Institute has also emphasised the strong dependency the Scottish Government’s Budget has on the UK Budget, as UK spending decisions impact the size of the block grant via the Barnett Formula. Looking back to September’s Spending Review, the Institute suggested that the “*broad envelope*” of the Scottish block grant is known with a fair degree of certainty but it could change slightly due to possible new spending commitments in the upcoming Budget.
73. On 10 January Andy Aird was [elected](#) as Scotland Group Chair of the Federation of Small Businesses.
74. On 14 January the National Trust for Scotland [confirmed](#) its Chief Executive, Simon Skinner, is to retire. He took up the role in April 2015. The recruitment process to find his replacement will be open to both internal and external candidates.
75. On 15 January the Scottish Police Authority [published](#) a briefing paper on the policing of 26th Conference of the Parties (COP26). The report estimates that the event could potentially cost “*several hundred million pounds*” and policing COP26 would impact across the UK “*through significant mutual aid requirements*” from Home Office police forces to safely deliver the policing operation.
76. On 16 January 27 business groups [called](#) for the uniform of business rates to be retained in Scotland. Labour, Conservative and Green MSPs on the Local Government and Communities Committee previously voted for an amendment to the Non-Domestic

Rates Bill that would hand over control of business rates to councils rather than have them set centrally by the Scottish Government. This means that business rates and rates reliefs could vary in each of Scotland's 32 local authority areas rather than there being one rate across the whole country.

COSLA

77. On 3 January COSLA warned that council budgets are at "*breaking point*" due to a lack of "*fair funding*" for several years. Alison Evison, COSLA President, has called on the Scottish Government to ensure Scotland's councils receive an appropriate financial settlement as part of the upcoming budget. She also expressed concern about the increased "ring fencing" from the Scottish Government regarding its priorities while failing to provide the necessary funding.
78. On 7 January COSLA [wrote](#) to the Chancellor of the Exchequer warning of the risks that holding the UK budget in March will have on councils in Scotland.
79. On 13 January COSLA [released](#) a briefing calling on the Scottish Government to increase the budget allocation to local authorities by £1 billion. COSLA is calling for fair funding, the freedom to take a "*place-based approach*" to tackle issues locally and for "*national bodies empowered at a local level*" to enable leadership and planning. The briefing also highlights the range of council services that will assist in tackling climate change and reducing energy demand.
80. On 31 January, COSLA council leaders considered draft statutory guidance on Best Value. I will inform the Commission of the outcome of this meeting. (The Commission agreed comments to the Scottish Government on the guidance at its December meeting.)

Improvement Service

81. On 19 December the Improvement Service and the Scottish Government [published](#) the latest progress report for the delivery of the early learning and childcare expansion. The report shows that one in three children are receiving their expanded entitlement in advance of the full roll-out in August 2020. 273 infrastructure projects, including new build, refurbishments and extensions, have been completed since March 2018.

Other Scottish local government news

82. On 17 December it was [reported](#) that Scottish Borders Council when planning on allocating £100,000 from its emergency budget to find suitable options for Peebles High School. Large areas of the school, including the gymnasium, changing facilities, the art department, and the additional support needs areas, will need demolished following a fire outbreak in November.
83. On 31 December research was [released](#) by the campaign group, Be Reasonable, that suggested that a majority of councils in Scotland may struggle to implement the new Children (Equal Protection from Assault) (Scotland) Act. In addition, seven in 10 social workers say they would fail to cope with extra caseloads.
84. On 8 January Monica Patterson was [announced](#) as the preferred candidate for the role of Chief Executive of East Lothian Council.
85. On 15 January Shelter Scotland [announced](#) they were dropping their legal action against Glasgow City Council. Shelter was taking the council to court over alleged breaches of its legal duty to provide accommodation to homeless people in the city.

This follows an announcement the Scottish Housing Regulator last month that it was launching an inquiry into the city's homelessness services.

86. On 15 January the Scottish Local Authorities Economic Development (SLAED) group [published](#) their 2018/19 indicators report. This report outlines the extent of the work that council's economic development departments are doing. The report highlights that in 2018/19:
- 1,300 officers worked in local government economic development across Scotland, spending £555m on mainstream economic development and tourism activities;
 - Local authorities supported almost 14,000 local businesses and assisted over 15,000 unemployed people into jobs
 - For every £1 invested in economic development by local authorities, they were able to lever in an additional £1.63 from external sources.
87. On 23 January Councillor Philip Braat was [elected](#) as Glasgow City Council's new Lord Provost in a meeting of full council. Councillor Braat represents the Anderston, City and Yorkhill ward, and replaces Councillor Eva Bolander who resigned last October.

Scrutiny, inspection, regulatory and related bodies

Scottish Public Sector Ombudsman (SPSO)

88. [The SPSO's Newsletter - January](#) outlines investigation reports, recent SPSO news and highlights emerging issues. More information on the SPSO's work, including detailed investigations and decision reports, is available on the Our findings webpage. The Commission's Financial Audit and Assurance Committee will consider more detailed intelligence from the SPSO on a six-monthly basis (next at its February meeting).
89. On 23 January the Independent National Whistleblowing Officer [developed](#) a set of National Whistleblowing Standards that set out the high level principles and a detailed procedure for investigating concerns. This is being launched in preparation for the SPSO becoming the Independent National Whistleblowing Officer from July 2020.

Care Inspectorate

90. On 14 January the Care Inspectorate [published](#) a report on the deaths of looked after children in Scotland 2012-2018. This report contains several key messages for all those with corporate parenting responsibilities including practitioners, leaders of services for children and young people, scrutiny bodies and policy makers.

Scottish Housing Regulator

91. On 11 December the Scottish Housing Regulator [wrote](#) to all Registered Social Landlords (RSLs) informing them that a small number of RSLs had been the subject of fraud.
92. On 18 December the Scottish Housing Regulator [published](#) their Equalities statement for 2019-2020. This statement outlines the duties and requirements of social landlords, and how the Scottish Housing Regulator promotes equality within their organisation.

UK Parliament

General

93. On 19 December the Queen's speech was delivered to both houses of Parliament.
94. On 20 December the UK Government [published](#) an updated version of the EU (Withdrawal Agreement) Bill ahead of its [Second Reading](#) in the House of Commons. The new Bill will implement the Withdrawal Agreement negotiated with the EU and includes changes such as legally prohibiting the Government from extending the implementation period beyond 31 December 2020 and giving Parliament greater oversight by requiring ministers to report annually on disputes with the EU under the Withdrawal Agreement. It has been said a commitment to retaining the "*highest standards*" on workers' rights, environmental standards and consumer protections will be dealt with by provisions in separate legislation.
95. On 7 January the Chancellor of the Exchequer [launched](#) the beginning of the next Budget process and announced that it will take place on Wednesday 11 March.
96. On 7 January the House of Commons Library [published](#) a briefing paper about the Barnett Formula.
97. On 9 January the UK Government's European Union (Withdrawal Agreement) Bill [passed](#) its third reading in the Commons by 330 to 231 votes. The House rejected the SNP's amendment to decline the Bill a third reading, citing the Scottish Parliament's opposition to Brexit.

Other UK Audit Bodies

National Audit Office

98. On 8 January the National Audit Office (NAO) [published](#) a report about the administration of Scottish income tax in 2018-19. The report found that there were 2.5 million Scottish taxpayers in 2017-18, with revenue from income tax reaching £10.9m. This was the first year that Scottish residents paid a different level of income tax when reaching a certain threshold compared with the rest of the UK. In 2018-19, the Scottish Government introduced two new income tax bands. HMRC has estimated that the revenue from Scottish income tax for 2018-19 will reach £11.6m. The final outturn for Scottish income tax collected in 2018-19 will be released in HMRC's Annual Report and Accounts 2019-20, which is expected to be published in July 2020.
99. On 15 January the National Audit Office [published](#) a review of UK business support schemes. The report found inconsistency in the way schemes were designed and evaluated, with the Department for Business, Energy & Industrial Strategy accused of not following "*the Government's own guidance*". The NAO found schemes often lacked measurable objectives and evaluation assessments, meaning the Department could not measure their efficacy or value. The report found business support cost the Department around £2.4bn a year, but only delivered "*piecemeal*" developments. The NAO claimed both the Treasury and the Department recognised the "*need to make support better coordinated and supported*".
100. On 15 January the National Audit Office [published](#) a report on the British Business Bank. The report said there had been "*positive signs to date*" of the Bank's effectiveness but noted there was little information on its cost-effectiveness. The NAO found the Bank had supported the growth of SMEs since its 2014 launch. As many of the Bank's interventions were long-term projects, the NAO recommended sustained

analysis of the Bank's efficacy in supporting businesses and its cost-effectiveness.

101. On 16 January the National Audit Office [published](#) a report about the rescue of Carillion's PFI hospital contracts.
102. On 24 January the National Audit Office [published](#) a progress update on the High Speed Two rail project. It is the fourth report by the NAO on the programme. The NAO concludes that the Department for Transport and HS2 Ltd "*underestimated*" the scale of the task and did not allow for uncertainties when estimating the initial costs of the project. The "*increased realism*" about the estimated cost was welcomed, but the report warns significant risks remain.

Northern Ireland Audit Office

103. On 19 December the Northern Ireland Audit Office [published](#) a report about major capital projects.

Jersey Audit Office

104. On 19 December the Jersey Audit Office [published](#) a report on governance issues across the states of Jersey.
105. On 14 January the Comptroller and Auditor General for Jersey, Lynn Pamment, [published](#) her audit plan for 2020.

Other general – UK

106. On 18 December Douglas Ross MP was [appointed](#) as Parliamentary Under Secretary of State for Scotland.
107. On 13 January the Institute for Government [published](#) a report on the next stage of the Brexit process. On Friday 31 January, the UK is set to leave the EU and begin the transition period, which is scheduled to end on 31 December 2020. The Institute has pointed out that this leaves UK and EU negotiators with a third of the time it took to negotiate the Withdrawal Agreement but with significantly more tasks to achieve. The transition period will cover the future economic relationship, security operation and questions on issues ranging from data sharing to fishing. The report also highlights the UK Government's plan to not extend the transition period, even if it is required. The Institute suggests that this could restrict the length of time that UK businesses will have to adapt to the details of the future UK-EU relationship and will also limit the negotiations to a goods-only trade agreement.
108. On 14 January Sarah Pickup, deputy chief executive of the Local Government Association, [expressed](#) her 'dismay' over the UK Government's decision to increase Public Works Loan Board interest rates by 1%.
109. On 14 January the UK Government [announced](#) they lifting the four year freeze on Local Housing Allowance rates. Around 900,000 people in the UK private rented sector will benefit from an average of £10 extra a month.
110. On 15 January the Northern Ireland Executive was [restored](#).
111. On 15 January the Prime Minister [wrote](#) written to the First Minister regarding the Scottish Government's aim to hold a second referendum on independence. In the letter, the Prime Minister said the 2014 referendum had been a "*once in a generation*"

vote and reaffirmed the UK Government's commitment to upholding the Edinburgh Agreement.

112. On 17 January it was [reported](#) that Lancashire County Council will become the first local authority to borrow from the UK Municipal Bonds Agency, five years after it was created. The UKMBA is due to issue its first bond worth £250m to £300m with duration of five years at a rate "well below" that of the Public Works Loan Board, subject to LCC's "usual governance processes".
113. On 23 January The European Union (Withdrawal Agreement) Act 2020 [gained](#) Royal Assent. The European Parliament [Committee on Constitutional Affairs](#) voted to approve the terms of the agreement. The full Parliament will vote on the terms on Wednesday 29 January before the UK formally leaves the EU on Friday 31 January.
114. On 24 January the FSB [published](#) a survey into business attitudes towards the Government's post-Brexit immigration proposals. It found widespread opposition to the proposed £30,000 salary threshold for skilled immigrants, with 81% of businesses saying they would be unable to raise salaries to recruit overseas workers. The report confirmed 80% of employers with mid-skilled and 35% of those with high-skilled staff paid them less than £30,000. Over half (58%) of small employers agreed the threshold should be lowered in cases when UK workers struggled to fill particular roles. The FSB called for the threshold to be lowered to £20,100 for skilled staff.

Conclusion

115. The Commission is invited to consider and note this report, and in particular:
 - Note the response to the Scottish Government consultation on extending the duration of Part 2 Order making powers under the Public Services Reform (Scotland) Act 2010 (paragraph 9).
 - Agree not to respond to the Scottish Government consultation on the replacement of European Structural Funds in Scotland post EU-exit (paragraph 16).
 - Agree not to respond to the Scottish Government consultation on the first draft Corporate Plan for Scottish Forestry 2020-23 (paragraph 28).
 - Agree not to respond to the Scottish Government consultation on Scottish public authorities sharing data (paragraph 40).
 - Agree not to respond to the call for evidence by the Scottish Parliament's Finance and Constitution Committee on Scotland and the UK Internal Market after Brexit (paragraph 60).
 - Note that I will be reporting further on the implications and progress of the Scottish Elections (Reform) Bill (paragraph 65).
 - Note that I am liaising with Audit Scotland about reporting further on the implications of the final report from the independent review on the quality and effectiveness of audit (paragraphs 66 and 67).

Paul Reilly
Secretary to the Accounts Commission
31 January 2020

APPENDIX: Accounts Commission reports in past 12 months - downloads

Report	Date	Report downloads	Podcast downlds
Scotland's City Region and Growth Deals	16 Jan 19	771 (n/a)	17
Scotland's City Region and Growth Deals - Supplement	16 Jan 19	38 (n/a)	n/a
Self-directed support: 2017 progress report - impact	17 Dec 19	227 (+95)	n/a
Local government in Scotland: Financial overview 2018/19	17 Dec 19	1,360 (+595)	114
Scottish Borders Council: Best Value Assurance Report	22 Oct 19	731 (+226)	110
National Scrutiny Plan	30 Sept 19	522 (+137)	n/a
Perth and Kinross Council: Best Value Assurance Report	22 Aug 19	1,012 (+194)	97
Principles of community empowerment	25 July 19	5,075 (+930)	n/a
Midlothian Council: Best Value Assurance Report	4 July 19	1,370 (+190)	116
Clackmannanshire Council: Best Value Assurance Report progress report	27 June 19	897 (+262)	123
Accounts Commission annual report 2018/19	31 May 19	411 (+108)	n/a
Accounts Commission Engagement strategy and plan 2019-24	31 May 19	289 (+83)	n/a
Accounts Commission Strategy and annual action plan 2019-24	31 May 19	329 (+91)	n/a
Accounts Commission Engagement plan progress report 2018/19	31 May 19	154 (+63)	n/a
North Lanarkshire Council: Best Value Assurance Report	23 May 19	1,124 (+231)	121
Stirling Council: BV Assurance Rprt	25 Apr 19	1,250 (+265)	145
How council work: Safeguarding public money	11 Apr 19	1,958 (+288)	n/a
South Lanarkshire Council: BV Assurance Rpt	28 Mar 19	1,647 (+289)	73
Local government in Scotland: Challenges and performance 2019	21 Mar 19	4,952 (+779)	231
Local government in Scotland: Challenges and performance 2019 - Supplement	21 Mar 19	549 (+100)	n/a

Key:

- (x) Increase in numbers since last month
- * This figure is below 30
- n/a Not applicable.

MEETING: 6 FEBRUARY 2020

REPORT BY: DIRECTOR OF PERFORMANCE AUDIT AND BEST VALUE

STRATEGIC SCRUTINY GROUP - UPDATE

Purpose

1. The purpose of this paper is to update the Accounts Commission on the work of the Strategic Scrutiny Group (SSG). The previous update to the Commission was in September 2019. This paper summarises the main areas of development since then, including implementing the new approach to the Shared Risk Assessment process (SRA) and consideration of a number of scrutiny developments affecting local government.

Background

2. The Strategic Scrutiny Group was established in February 2008, in response to the Scottish Government asking the Accounts Commission to facilitate and coordinate the scrutiny of local government. Since 2008, the group has undertaken a wide range of work, designed to make the strategic scrutiny of councils more proportionate and risk based. In doing so, it established the shared risk assessment process and each year publishes a National Scrutiny Plan (NSP). The SSG is chaired by the Chair of the Accounts Commission, and the Deputy Chair of the Accounts Commission is also a member of the group (see Appendix 1 for Terms of Reference).
3. There have been three areas of focus for the SSG since September 2019:
 - (a) local government scrutiny developments
 - (b) implementation of the new approach to the SRA and National Scrutiny Plan (NSP)
 - (c) review of terms of reference.

Key areas of work

Local government scrutiny

4. As previously reported, the SSG has taken forward work in several key areas, including reviewing and refreshing the SRA process and the development of principles for community empowerment. The SSG has an ambition to work collaboratively on areas they have identified as high risk, where they have a shared interest or where they determine that they can add real value. Given the positive impact from the group's work on community empowerment, the SSG agreed to carry out some collaborative work on drug services given the risks raised by scrutiny bodies involved in SSG.
5. The SSG has also been exploring engagement between scrutiny bodies, the Scottish Government and future scrutiny work in key policy areas through a series of round table discussions. These sessions aim to continue to improve scrutiny coordination and make best use of intelligence. The first in this series focused on health and social care integration, and a round table discussion was held on 11 November 2019. The discussion focused on how scrutiny needs to change to better adapt to the work of integration, including what we need to stop and start doing and what scrutiny might look like in the future.

6. The Care Inspectorate and Healthcare Improvement Scotland have been jointly tasked with delivering a model of scrutiny for integration that is more focused on outcomes. The new model needs to have an appropriate balance between health and social care. It is intended to be a very different way to approaching scrutiny, which:
 - is based much more on health and care standards and focused on the users' experience of care and health care in the context of integration
 - has more of an improvement focus from the beginning.
 - is more intelligence led with scrutiny being more focused as a result.
7. The Care Inspectorate is joining up its intelligence around certain key inspections, for example, inspections of individual care homes and its programme of strategic inspections. It is committed to refocusing regulatory care inspection activity to help provide a clearer picture of people's complete experience of care and better intelligence about how the whole system of care is working.
8. As local authority bodies, the duty of best value applies to IJBs. The Accounts Commission and Audit Scotland are planning how to audit best value in IJBs, recognising the already busy scrutiny landscape. These audits will start in Autumn 2021., coinciding with next round of audit appointments. A key part of the round table discussion touched on how scrutiny bodies can make best use of their collective intelligence to inform their work, including development of the new approach to best value in IJBs.
9. Based on the issues raised from the round table, the group agreed to take forward the following:
 - A sub-group of people from the meeting to develop an action plan for a scrutiny model. This could include mapping of intelligence on IJBs.
 - The Sharing Intelligence for Health and Social Care Group to set out a map of intelligence in respect to primary health, primary care and community care to help to inform scrutiny.¹ Depending on timing, this could be done to help inform our development work on best value.
10. Following the success of the health and social care integration round table, a further session is planned to focus on Justice in the near future.
11. At its last meeting in 2019, the SSG agreed to develop a think piece on the landscape of scrutiny post Crerar and Christie now we are 10 years on. This would take account of local government experience in risk and ensuring self-evaluation is real, meaningful, honest and candid.

Revised approach to the SRA

12. The SRA is designed to support more proportionate and risk-based scrutiny. It provides the basis on which the Accounts Commission seeks to meet its responsibilities to Scottish Ministers to facilitate and co-ordinate scrutiny in local government.
13. In our previous update to the Commission we set out how we have been developing aspects of the new approach to the SRA and the NSP and areas which needed to improve. Since then we have been implementing these improvements, including:

¹ Data about health and social care services is shared and considered by the Sharing Intelligence for Health and Social Care Group. Audit Scotland works with the Care Inspectorate, Healthcare Improvement Scotland, the Mental Welfare Commission for Scotland, NHS Education for Scotland and NHS Scotland on this group.

- (a) **More focused meetings of the SSG's Operational Sub group** - In order to share the responsibilities within SSG, the Care Inspectorate now chair the Operational sub-group. This group brings together the larger scrutiny bodies represented on the SSG, including Audit Scotland, The Care Inspectorate, Education Scotland and The Scottish Housing Regulator, and its role is critical to the success of scrutiny coordination and the new approach to the SRA. To aid this the operational sub-group now has a stronger and more structured focus on coordinating future scrutiny activity, exploring and implementing opportunities for scrutiny collaboration and publishing the NSP. Audit Scotland continues to support the functioning of this group and the SRA more widely.
- (b) **Publishing a new National Scrutiny Plan** – One of the most significant changes in the revised approach to SRA has been the removal of local scrutiny plans (LSPs). This has been supported by the production of an improved NSP with greater transparency around the reasons for scrutiny, that can be used in local engagement and inform local planning. As reported to the Commission in November, we published the first of the new style NSPs on 30 September 2019. Alongside the NSP we have introduced an interactive version on the Scrutiny Improvement page of Audit Scotland's website. The NSP will be refreshed every six months to reflect any changes in scrutiny programmes during the year. At its most recent meeting the Operational sub-group began planning for a refresh of the NSP in March 2020.
- (c) **Local Area Networks (LANs) using the new approach** – LANs typically meet between November and February each year during the annual audit planning process. So far, 7 LANs have notified us that they have held meetings for this year's SRA, with others planning dates to meet. Feedback from LAN leads so far has been positive, with meetings being productive and attendance much improved compared to last year. The operational scrutiny group is in the process of collating the outputs and feedback from the SRA process and will report a summary and its implications for future scrutiny to the SSG.

Review of Terms of Reference

- 14. The Terms of Reference (Appendix 1) were comprehensively reviewed and finalised in 2018, and the SSG committed to review them annually. The group reviewed them in November 2019, and agreed to add the Scottish Public Sector Ombudsman (SPSO) to its membership. The SSG also considered the frequency of its meetings and agreed to continue to meet quarterly until both the new approach to SRA and the NSP are fully embedded. Members will consider whether to meet less frequently at a future meeting in early 2020. It was agreed that the Terms of Reference be reviewed in another 12 months.

Conclusion

- 15. The Commission is invited to:
 - a) consider the update on the work of the SSG
 - b) comment on the progress set out against the key areas
 - c) highlight any other issues for consideration.

Fraser McKinlay
Director of Performance Audit and Best Value
29 January 2020

Strategic Scrutiny Group

Terms of reference

Prepared for Strategic Scrutiny Group
Updated November 2019

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Terms of Reference

1. The Strategic Scrutiny Group (SSG) is in place to promote collaboration and shared learning amongst Scotland's main public sector scrutiny bodies with a view to holding public bodies to account and supporting improvement in public services for the people of Scotland.
2. The SSG is underpinned the obligations of the Public Service Reform (Scotland) Act and by the five principles of scrutiny:
 - public focus
 - independence
 - proportionality
 - transparency
 - accountability.

Purpose

3. The SSG aims to deliver efficient and effective, well co-ordinated scrutiny that supports improvement across Scotland's public services. The SSG fulfils two main functions, to:
 - Oversee co-ordination of scrutiny activities across Scotland, focused on Local Authorities.
 - Bring together scrutiny bodies to consider significant policies or national risks facing Scotland, and where appropriate, responding collaboratively and providing shared leadership. This may take the form of sharing and improving approaches to scrutiny. SSG members are committed to working collaboratively, and this approach can assist individual scrutiny bodies to carry out their routine scrutiny activities.

Membership

4. The SSG is chaired by the Accounts Commission, supported by staff from Audit Scotland. The SSG is made up of senior professionals, including Chief Executives and Chief Inspectors, from a wide range of organisations. The following organisations are core members of the SSG, and will each nominate a lead, normally the Chief Executive, and a deputy:
 - Accounts Commission
 - Audit Scotland
 - Care Inspectorate
 - Education Scotland
 - Healthcare Improvement Scotland
 - HM Inspectorate of Prisons
 - HM Inspector of Constabulary for Scotland
 - HM Inspector of Fire and Rescue

Appendix 1

- Inspectorate of Prosecution in Scotland
 - Scottish Housing Regulator
 - Scottish Public Service Ombudsman
5. The Strategic Scrutiny Group welcomes the involvement of COSLA, SOLACE and representatives of various departments of the Scottish Government at each meeting.

Roles and responsibilities

6. The SSG will promote collaboration in areas of shared interest where working together will add greatest value and creates collaborative gain. In promoting collaboration, the group acknowledges the specific and distinctive statutory roles and responsibilities that each organisation has, and their respective governance and accountability structures.
7. The SSG is responsible for the following:
- fostering and leading collaboration between scrutiny bodies
 - removing obstacles to the SSG overall purpose
 - maintaining at all times the focus of the SSG on its agreed purpose and work programme
 - considering key national legislation and policy developments affecting Scotland's public services and developing appropriate (collective, joint or individual) scrutiny responses
 - establishing appropriate communication and engagement arrangements with the Scottish Government and other key stakeholders (e.g. COSLA, SOLACE) in relation to scrutiny improvement
 - discussing and helping to address any issues outside the SSG control that are critical to its success
 - promoting a co-ordinated approach to supporting improvement and building self assessment capacity across the public sector (including promoting good practice)
 - practical oversight of the SSG agreed work programme, with the detailed work underpinning these activities led by a subgroup which will report routinely into the SSG
 - chairing or contributing to sub groups with clear objectives and which report routinely to the SSG.
8. To achieve its purpose, those who represent their organisations at the SSG will commit to:
- ensure their organisation contributes to the coordination of scrutiny activities in relation to local government through the SRA as appropriate
 - sharing of relevant findings and risks through the SRA in a timely manner
 - engage as appropriate in any joint or coordinated scrutiny activities, in line with the groups agreed work programme
 - ensuring they are appropriately represented at all scheduled SSG
 - providing oversight and challenge to the subgroup to ensure it contributes to the aims and purpose of the SSG
 - acting as champions for the work of the SSG within their own organisations and more widely
 - sharing any relevant updates or information from the SSG within their own organisations

Appendix 1

- reporting back to their organisations and endorsing any proposals coming from the SSG in a timely manner
 - notifying the SSG of any issues of concern or delay in relation to work programmes
 - contributing to any outputs that the SSG determines useful.
9. Members of the SSG will expect:
- that each member will be provided with complete, accurate and meaningful information in a timely manner
 - to be given reasonable time to make key decisions or respond to agreements
 - to be alerted to potential risks and issues that could impact on work programmes as they arise
 - open and honest discussions in relation to the aim of the group and any related work programmes
 - ongoing 'health checks' to verify the overall status and 'health' of the SSG.

Meetings

10. All meetings will be chaired by the Chair of the Accounts Commission. A meeting quorum will be representatives of at least 6 organisations making up the core membership of the SSG as set out at paragraph 4. Meeting agendas and minutes will be provided by Audit Scotland.
11. SSG meetings will be held four times per year at 102 Westport, Edinburgh. If required subgroup meetings will be arranged outside of these times at a time convenient to subgroup members.

Amendment, Modification or Variation

12. This Terms of Reference may be amended, varied or modified in writing after consultation and agreement by the SSG and will be reviewed annually. The next review of this document is November 2020.

MEETING: 6 FEBRUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

ANNUAL ASSURANCE AND RISKS REPORT

Purpose

1. This paper introduces the Annual Assurance and Risks Report by the Controller of Audit.

Background

2. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The [Code of Audit Practice](#), approved by the Accounts Commission and the Auditor General for Scotland, requires auditors at the conclusion of the annual audit to issue a report summarising the significant matters arising from the year's audit. In local government, these reports are addressed to elected members and the Controller of Audit, and are submitted by 30 September each year. The reports are public and are available on the websites of the audited bodies and [Audit Scotland](#).

Controller of Audit review of annual audit reports

3. The Controller of Audit reviews the annual audit reports to:
 - Identify high-level issues and themes for inclusion in the Commission's annual local government overview reports.
 - Identify specific issues that he may wish to report to the Commission under his statutory reporting powers. In short, these powers are reporting about any matters arising from the accounts of local authorities, or the auditing of those accounts, and in certain specific situations involving illegality or loss.
4. In practice, significant findings from the audits will be known to auditors in advance of the annual audit reports, and reported to the Commission by the Controller of Audit via the Financial Audit and Assurance Committee. Statute allows the Controller of Audit to report formally to the Commission - or the Commission can direct the Controller to report - at any point throughout the audit year.
5. The Controller reports to the Commission early in each calendar year a summary of his review through his Annual Assurance and Risks Report (AARR).
6. In 2018/19, annual audit reports were published for:
 - 32 councils (including comment, if applicable, on 201 registered charities within 66 sets of charity accounts)
 - 30 integration joint boards
 - 11 pension funds
 - 32 other small boards and partnerships.
7. These have all been reviewed as part of this exercise.

Integrated audit

8. The Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. An important principle underpinning the framework is an integrated approach to auditing and reporting Best Value, in which Best Value is assessed over a five year audit appointment as part of the annual audit. In addition, a Best Value Assurance Report is published by the Commission for each council at least once in this five year period.
9. The Controller of Audit reports on the progress made by council against their Best Value obligations – including BVAR findings and recommendations as appropriate - through his AARR.

Strategic audit priorities

10. In its [Strategy and annual action plan - 2019-24](#), the Commission sets out an overall aim of holding councils to account for their pace, depth and continuity of improvement facilitated by effective governance. The Commission set out its expectation that councils show how they are making the best use of their resources and improving their performance and highlighted that by applying rigorous self-evaluation, councils can focus on where improvement is most needed to help them deliver on their priorities. Within this, the Commission also sets out five strategic audit priorities (SAPs). These are issues that the Commission considers particularly important to report through audit work. The Commission states that it will use its approach to auditing Best Value to assess how councils are progressing in relation to the following SAPs:
 - Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning.
 - The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners.
 - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future.
 - Empowering local communities and involving them in the design and delivery of local services and planning for their local area.
 - Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.
11. The SAPs are considered by all auditors involved in local government work, both locally and nationally. They are considered as an integrated part of the risk assessment, five-year Best Value and annual planning processes. Annual audit reports provide an assessment of the council's performance against the SAPs across the five year audit appointments. When these are covered will depend on the risk assessments carried out by local auditors as part of their annual planning processes. Not all SAPs will be reported at every council each year.
12. The Controller of Audit uses his AARR to provide the Commission with assurance over the progress made by councils against the Commission's SAPs.

Annual Assurance and Risks Report

13. The AARR helps the Commission to:
 - Consider the messages it wishes to convey in its overview reports. The draft local government overview report will be considered by the Commission at its next

meeting on 12 March.

- Consider progress being made against its SAPs, in turn allowing it to consider if it wishes to revise or modify these SAPs. The Commission will consider its updated strategy at its March meeting. The Commission's updated strategy – including SAPs – are used as the basis for audit planning guidance for next year's audit, which is developed and published in the Autumn.
- Consider any implications for its wider work programme. The Commission is considering at today's meeting the outputs from its ongoing consultation with stakeholders on the refreshed work programme. It will then consider a draft work programme at its March meeting.

Controller of Audit's conclusions

14. The Controller reports that:

- The pace and depth of continuous improvement in the seven councils where a BVAR was published in 2019 and January 2020 is mixed.
- Overall, he is assured that audit work is providing good coverage of the Commission's SAPs and that the integrated approach to auditing BV in councils is effective. The BVARs are having an impact, with all councils implementing improvements in response to the reports.
- He is confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work.
- He is satisfied the audit work this year does not highlight any significant areas of the SAPs that would require to be changed.

Conclusion

15. The Commission is asked to:

- a) Consider and note the attached Annual Assurance and Risks Report, in particular the Controller's conclusions set out in paragraph 12 above.
- b) Consider any implications for its:
 - i. overview reporting
 - ii. SAPs and strategy
 - iii. work programme.

Paul Reilly
Secretary to the Commission
27 January 2020

Annual assurance and risks report

Local government

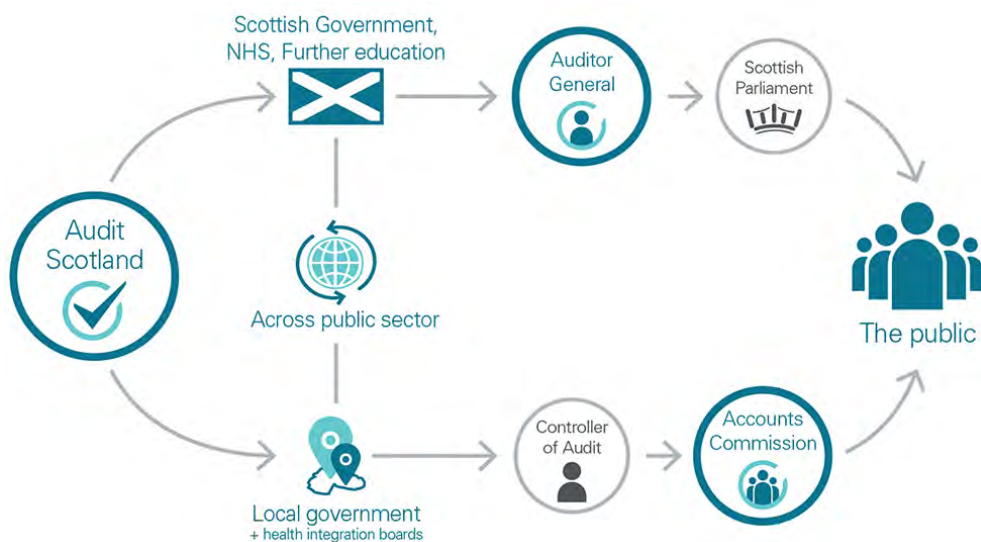


Report by the Controller of Audit
February 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Introduction

Background

1. The Annual Assurance and Risks Report (AARR) is my annual report, as the Controller of Audit, to the Accounts Commission about the work undertaken by auditors over the past year, on the Commission's behalf. Its purpose is to provide assurance to the Commission that the range of work we undertake provides effective coverage of local government, its performance, issues and risks. It is also intended to help inform the work programme refresh in March, the Commission's discussions at its strategy seminar and its consideration of the draft *Local government in Scotland - Challenges and performance 2020* report at the March Commission meeting.
2. During 2019 and early 2020, the Commission and I have overseen the publication of a variety of reports. This has included national reports, annual audit reports (AARs) in local government bodies; Best Value Assurance Reports (BVARs); and a statutory report. The Commission's Financial Audit and Assurance Committee (FAAC) and Performance Audit Committee (PAC) have also considered several reports of note during the year. The AARR draws on the findings of all this work. All information sources are set out in [Appendix 1](#).
3. This report summarises progress, notable practice, areas for improvement and risks identified through our audit work. As well as summarising the work undertaken in the last year, it looks at the pace and depth of continuous improvement in councils, provides an assessment of the extent to which councils are progressing with the Commission's five strategic audit priorities (SAPs) and takes a brief look forward at the year ahead.

Strategic audit priorities

4. A summary of the audit risks identified in this report are mapped against what the Commission perceives to be significant areas of risk facing local government in [Appendix 2](#). The areas of risk the Commission has identified include a challenging and uncertain financial outlook, the ability to deliver better outcomes, progress with public service reform and leadership, governance and organisational capacity.
5. In its *Strategy and annual action plan - 2019-24*, the Commission sets out five SAPs. These are issues the Commission is particularly interested in at present and require to be reported through annual, Best Value and performance audit work. The SAPs are considered by all auditors involved in local government work. Auditors report on each SAP over the audit appointment, in BVARs or annual audit reports.
6. The five SAPs, along with this year's key findings against each, are set out in [Exhibit 1](#). High level messages for each SAP identified over the last two years are set out in [Appendix 3](#).

Summary

7. Councils are working in an environment that has become characterised by reducing budgets, rising demand for services and the delivery of an increasingly complex range of national policies. Within this challenging context, councils need to continue to work towards local priorities and improving outcomes for their communities.
8. Taking this context into account, the Commission revised its strategic audit priorities (SAPs) following its strategy seminar in March 2019. A summary of progress made by councils against the Commission's five SAPs in 2019 is set out in [Exhibit 1](#).
9. The current five-year programme of Best Value work began in 2017. The pace and depth of continuous improvement in the seven councils where a BVAR was published in 2019 and January 2020 (Year 3) is reported as mixed. All 12 councils which had BVARs published in Years 1 and 2 of the programme published improvement plans in response to the Commission's findings and my recommendations in the BVARs. Auditors reported that around half of the recommendations have now been implemented, with the remainder ongoing.
10. Overall, I am assured that our audit work is providing good coverage of the Commission's SAPs and that the integrated approach to auditing BV in councils is effective. The BVARs are having an impact, with all councils implementing improvements in response to the reports.
11. I am also confident that areas of risk are well understood and there are plans in place to cover these areas through our audit work. I am satisfied the audit work this year does not highlight any significant areas of the SAPs that would require to be changed. What the Commission sees as the key risk areas facing local government in 2020 are set out in [Exhibit 2](#). These are supported by the evidence in this report. [Appendix 2](#) maps the audit risks identified in this report to the key risk areas set out by the Accounts Commission.

Exhibit 1

Key findings on progress against the Accounts Commission's five strategic audit priorities (SAPs) in 2019.

SAP 1: Clear priorities with a focus on outcomes, supported by effective leadership and long-term planning



- Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting.
- Auditors reported that in the councils where they reviewed fairness and equality, these were embedded in council activities.
- There has been a notable level of change in leadership over the last 18 months in councils and IJBs.
- Long-term financial planning has not advanced since last year. More progress is needed and the content of medium-term financial plans could be improved.

SAP 2: The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners



- There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.
- The development of city and growth deals has led to increased joint working between councils and with partners.
- There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. There are many examples of effective smaller-scale joint working.
- CPPs need to take a more active role in leading partnership working and strategic change in some areas. There is room to improve partnership working with the third sector.
- While there remain concerns around the operation of IJBs, there is some evidence of IJBs improving outcomes.
- Five of the Year 3 BVAR councils are at an early stage of rolling out their current transformation plans. Some councils cannot demonstrate that they have effectively planned to deliver the service redesign required to address future budget gaps.

SAP 3: Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future



- There is still a mixed picture across councils on the effectiveness of training and development for elected members.
- Organisation-wide workforce planning is developing but not all councils have developed detailed service-level plans.
- Councils could do more to regularly consult and engage with their staff to help drive improvement.

SAP 4: Empowering local communities and involving them in the design and delivery of local services and planning for their local area



- Working with other scrutiny bodies we have developed a shared understanding of what we mean by community empowerment to support scrutiny.
- Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes.

- Most of this year's BVAR councils have been slow to progress elements of the Community Empowerment (Scotland) Act.
- Five of the seven Year 3 BVAR councils had not published locality plans for all the priority areas they identified.

SAP 5: Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.



- A more systematic approach to self-evaluation is required in many councils.
- Many councils could improve on how they report performance information to the public.

Source: Audit Scotland

Exhibit 2

Key risk areas facing local government – the Accounts Commission



Source: Paper on Strategic risks, priorities and Commission reporting response – proposed stakeholder consultation, Accounts Commission meeting – November 2019

Part 1

Work completed on behalf of the Accounts Commission in 2019

12. This section provides further information on the range of audit outputs produced over the last year as well as our work in responding to correspondence and updates and reports provided to the Accounts Commission and its committees.

Annual audit reports

13. Local authority external auditors are appointed by the Commission under the Local Government (Scotland) Act 1973. The Code of Audit Practice, approved by the Commission and the Auditor General and revised every five years, requires auditors at the conclusion of the annual audit to issue a report summarising significant matters arising from the audit. In local government, these reports are addressed to councillors and to myself as Controller of Audit. They are submitted by 30 September each year. The reports are public and are available on the websites of the audited bodies and Audit Scotland. The reports are reviewed by myself and my team to:
- identify high-level issues and themes for inclusion in the Commission's annual local government overview reports
 - identify specific issues that I may wish to report to the Commission under my statutory reporting powers.
14. In practice, significant findings from the audits will be known to me in advance of the AARs and reported to the Commission via the Financial Audit and Assurance Committee (FAAC). Statute allows me to report formally to the Commission - or the Commission to direct me to report - at any point throughout the audit year. However, including such issues in the AAR is the formal starting point for any statutory reporting.
15. In 2018/19, AARs were published for:
- 32 councils (including comment, if applicable, on 201 registered charities within 66 sets of charity accounts)
 - 30 integration joint boards
 - 11 pension funds
 - 32 other small boards and partnerships.
16. There were no qualified audit opinions within these reports. Five modified opinions were issued:
- I am currently preparing a statutory report on Renfrewshire Council, where aspects of accounting records were poorly managed at the end of the financial year, contributing to the accounts not being certified on time. The council is currently reviewing its procedures

for preparing the annual accounts and closing the ledger at the end of the financial year to avoid a repetition of this going forward.

- The remaining four modified opinions related to trading operations which did not achieve the statutory objective of breaking even over a three-year rolling period.

17. I have recently written to all council chief executives and chief officers of the IJBs, as I do every year after AARs are published. This year I highlighted the importance of the annual audit process as a critical part of the assurance framework for local government. It is central to our ability to provide assurance to the Accounts Commission, and the public more widely, on how councils are using public money. As well as providing an opinion on the financial statements, AARs are providing an increasingly rich picture of Best Value in councils. In IJBs AARs provide an opinion on the financial statements, comment on financial sustainability and will increasingly present a comprehensive picture of Best Value.
18. General themes arising from the review of AARs are reflected in the local government overview reports. The *Local government in Scotland: Financial overview 2018/19* was published on 17 December 2019, and the *Local government in Scotland – Challenges and performance 2020* is due to be considered by the Commission in March 2020.
19. Two issues of note from the 2018/19 AARs, not captured under the SAPs in Part 3 of this report, relate to employer pension liabilities and councils' dependency on key suppliers.

Employer pension liabilities

20. As we set out in *Local government in Scotland: Financial overview 2018/19*, AARs reported that councils' share of the Local Government Pension Scheme (LGPS) liability at 31 March 2019 increased by 41 per cent to £9.3 billion, compared to £6.6 billion at 31 March 2018. A major factor contributing to this increase was the McCloud legal case.
21. The impact of 'McCloud' on council finances will become clearer at the next triennial revaluation of pension funds at 31 March 2020, when contribution rates are redetermined. There may be a funding pressure through the additional employer contributions that may have to be paid to cover the increased liabilities.

Dependency on key suppliers

22. For the 2018/19 annual audits, auditors were requested to assess the level of risk associated with councils' dependency on key suppliers. Most auditors are satisfied councils have appropriate arrangements in place to assess the risk of dependency on key suppliers. Arrangements include actively monitoring key suppliers' going concern position and regular reporting to members as part of risk management arrangements. Auditors raised the following concerns:
 - In Fife Council, key supplier dependency does not feature in resilience plans and is not well embedded in service planning.
 - Perth and Kinross Council does not consider the financial sustainability of suppliers on a regular basis after contracts are awarded. This raises a risk that suppliers may not be able to continue providing services. Outwith the contract strategy auditors were unable to determine whether a contingency plan existed for these key suppliers.

Wider audit dimensions

23. The Code of Audit Practice ('the Code') outlines the responsibilities of auditors. The Accounts Commission, the Auditor General and Audit Scotland have agreed four audit dimensions that frame the wider scope audit into identifiable audit areas. These are set out in [Exhibit 3](#). Best Value sits at the heart of the four dimensions. The Code is currently being reviewed in advance of the next five-year appointment of auditors in 2021.
24. Where appropriate, all AARs include comment on each audit dimension. These generally detail the audit work conducted and provide judgements, conclusions and recommendations on the effectiveness and appropriateness of the arrangements in place. Across the five-year audit appointment these conclusions will provide an indication of whether the audited body is demonstrating it is securing best value through the continuous improvement in the performance of its functions. By reporting against each of the four audit dimensions, auditors discharge their wider responsibilities under the Code. I am satisfied that all auditors have done this.

Exhibit 3

Audit dimensions



Source: Code of Audit Practice 2016

Statutory reports

25. Section 102 of the Local Government (Scotland) Act 1973 allows me, as the Controller of Audit, to make reports to the Accounts Commission about any matters arising from the accounts of local authorities, or the auditing of those accounts, that I think should be considered by the local authority or brought to the attention of the public. No statutory reports were published under section 102 during 2019. A statutory report providing an update on the equal pay settlement at Glasgow City Council was considered by the Accounts Commission in January 2020.
26. The report concluded that Glasgow City Council developed and applied appropriate overarching governance arrangements to the equal pay project and applied appropriate controls to the calculation and payment of settlements. The council took appropriate action to mitigate the key risks arising from both the settlement and funding arrangements and it responded in a fast, transparent and comprehensive way to the challenges it faced.

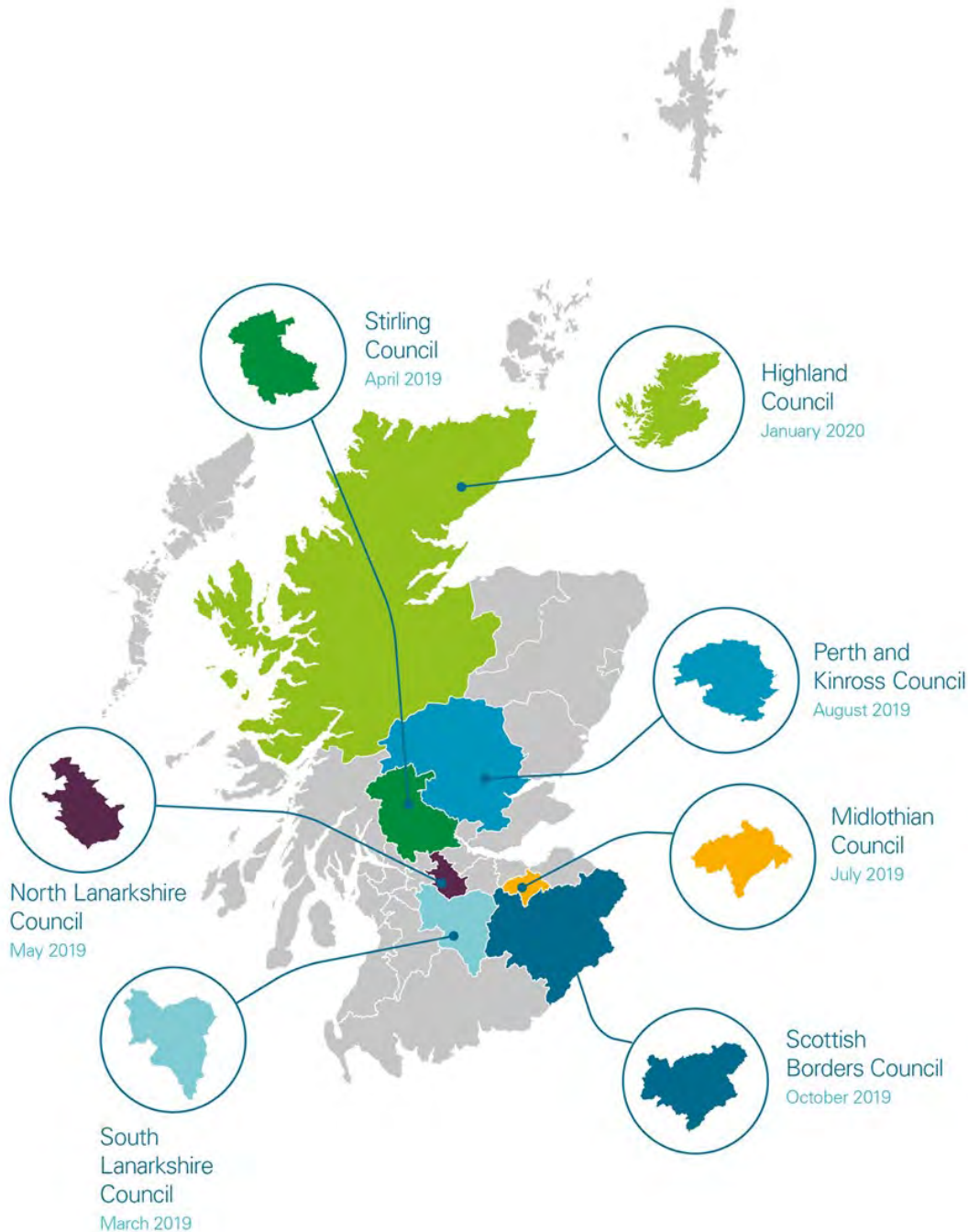
27. Statutory reports on the accounting issues at Renfrewshire Council and financial sustainability in Fife Integration Joint Board will be considered by the Accounts Commission early in 2020.

Best Value Assurance Reports

28. The Commission agreed the overall framework for auditing Best Value in June 2016. Best Value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Commission at least once in this five-year period.
29. I produced seven BVARs between January 2019 and January 2020, with the Commission making findings on each of them ([Exhibit 4](#)). The publication of Highland Council BVAR was delayed by a month due to the UK general election in December 2019.
30. In addition, in June 2019, I reported on progress against recommendations from a previous BVAR at [Clackmannanshire Council](#), published in January 2018. Auditors found that action taken had led to a positive momentum and increasing pace of change. But the scale of the challenge remains significant, as does the urgent need to implement improvement to address the council's financial position. The council's finances remain an issue of serious concern.
31. A summary of the pace and depth of continuous improvement identified across the three years of BVARs published to date, is set out in in Part 2. Aspects of the Best Value arrangements in the remaining councils have been reported in AARs. Based on the risk assessment at each council, a Best Value Assurance Plan (BVAP) ensures all BV characteristics are covered by audit work in every council over a five-year period.

Exhibit 4

BVARs were completed in seven councils in Year 3 of the audit appointment



Source: Audit Scotland

National reports

32. Audit Scotland carries out a programme of national performance audits on behalf of the Accounts Commission. During 2019, two local government overview reports, and one *How Councils Work* report were produced by Audit Scotland on behalf of the Accounts Commission. Two documents were also produced by Audit Scotland on behalf of the Strategic Scrutiny Group. A summary of the main messages from each of these reports is set out in Exhibit 5.

Exhibit 5**Summary of findings from national reports published on behalf of the Accounts Commission and the Strategic Scrutiny Group in 2019 and January 2020**

Name of report	Date	Report type	Key messages
<u>Local government in Scotland: Challenges and performance 2019</u>	March 2019	Overview	Scotland's councils are managing to improve and maintain most services. But Scottish Government funding to councils is likely to reduce in future; this, combined with increased demand and less flexibility over spending decisions, means councils need to think differently about how they deliver services to the public.
<u>How Councils Work - Safeguarding public money: are you getting it right?</u>	April 2019	How Councils Work	The report reinforces the importance of councils having effective internal controls which are fundamental to maintaining a council's finances; securing its core values; safeguarding public money; and minimising the reputational impact on a council if things go wrong. The report includes questions for elected members to use to help them think about internal controls and risk management in their council.
<u>Principles for community empowerment</u>	July 2019	Strategic Scrutiny Group	The publication raises awareness of community empowerment and promotes a shared understanding across scrutiny bodies to support high-quality scrutiny of community empowerment. It is also intended to make public bodies and their partners aware of the expectations of scrutiny bodies in a shared set of principles setting out what good community empowerment looks like.
<u>National scrutiny plan for local government, 2019/20</u>	September 2019	Strategic Scrutiny Group	A national scrutiny plan summarising all planned and announced strategic scrutiny activity in councils was published in September 2019. The plan was issued on behalf of the Strategic Scrutiny Group for local government, comprising Scotland's main public sector scrutiny bodies and chaired by the Accounts Commission.

Name of report	Date	Type of report	Key findings
Local government in Scotland: Financial overview 2018/19	December 2019	Overview	Scottish Government funding to councils has reduced by seven per cent since 2013/14. In 2018/19, Scottish council revenue income increased slightly from 2017/18. In 2018/19, councils planned to manage the three per cent budget gap through savings but a shortfall in savings meant reserves had to be used. Most councils have medium-term financial plans. Long-term financial planning has not improved since last year.
Housing benefit performance audit update 2019	January 2020	Performance audit update	During 2018/19, Scottish councils paid out £1.59 billion in Housing Benefit (HB) awards to help people pay their rent, a reduction in spend of 2.5 per cent and Scottish councils received £21 million in funding from the Department for Work and Pensions (DWP) to deliver HB services. The Scottish HB caseload has fallen from a high of 483,201 in April 2013 to 364,997 at February 2019. The continued rollout of Universal Credit during 2019/20 will result in further reductions in HB caseloads in councils as fewer new HB claims are received.
Scotland's City Region and Growth Deals	January 2020	Performance audit (joint report with Auditor General for Scotland)	£5.2 billion has been committed so far through City Region and Growth Deals. Four deals have been signed to date and eight are in development. Deals have enabled economic development projects that may otherwise not have gone ahead. Deals have also been a catalyst for increased collaboration between councils and their partners. Local communities have had very little involvement in the deal process.
Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models	January 2020	Performance audit (joint report with Auditor General for Scotland)	Councils have been able to obtain available Scottish Government funding to improve local infrastructure by using NPD and hub private financing. This has enabled projects to proceed that would not otherwise have been affordable. But by focusing on affordability, it is not clear how value for money has been assessed, or that the implications of entering into these contracts have been fully considered. Current NPD and Hub projects are expected to cost more than three times the value of the investment in assets, with payments continuing until the middle of this century.

Source: Audit Scotland

Impact reports

Self-directed support: 2017 progress report

33. The Self-directed support impact report was presented to the Accounts Commission's Performance Audit Committee in November 2019. It found that Scottish Government, COSLA and their partners had made progress in working towards recommendations in the 2017 performance audit report. Progress against recommendations was either good or ongoing at a national level. At a local level the quality and choices offered to those who require social care support remain mixed. There is however a commitment and plans to make improvements in partnership with stakeholders including service users.

Briefings

34. Three briefing papers were presented to the Accounts Commission during the year on the following areas:

- Public health reform (March 2019). This briefing provided an update on changing arrangements for public health in Scotland including the establishment of a new national public health body for Scotland. The Commission noted that Audit Scotland would continue to monitor the matter with a view to reviewing risk and its implications for any future performance audit work.
- Drug and alcohol services (March 2019). This was produced in response to a request from the Accounts Commission and the Auditor General to help decide what further audit work they might want to carry out on drugs and alcohol services in the future. It provides a high-level update of work in this area since the 2009 audit report, and an overview of the Scottish Government's new strategy: Rights, Respect and Recovery, Drug and Alcohol Strategy, November 2018. The Commission noted that Audit Scotland would continue to monitor the matter with a view to reviewing risk and its implications for any future performance audit work and also agreed that the briefing be shared in discussions between Audit Scotland and appropriate stakeholders.
- Preparing for withdrawal from the European Union (December 2019). The audit team and the sponsors for a scheduled performance audit on withdrawal from the European Union decided, because of the instability and lack of certainty surrounding this during 2019, to produce a piece of work gauging public bodies' readiness for EU withdrawal instead. This briefing paper sets out key messages, provides illustrations of the impact that preparing for withdrawal from the EU has had on public bodies and suggests questions for public bodies to ask themselves about their ongoing preparations for EU withdrawal. The Commission decided to write to councils and IJBs upon publication of the briefing to set out the Commission's reasons for not undertaking a performance audit in this area, as included in the Commission work programme.

Correspondence

35. Audit Scotland handles a wide range of correspondence from members of the public, elected representatives and organisations, with concerns about an issue within a public body. Neither the Commission nor Audit Scotland has a statutory duty to consider issues of concern or respond to correspondence, but we do so under our Code of Audit Practice and the Financial

Audit and Assurance Committee of the Commission is updated every six months on correspondence received.

36. During 2018/19, we received 97 issues of concern about local government bodies; this includes whistleblowing disclosures and objection to accounts. Most of the issues of concern we received were about councils and two were about IJBs. The councils with the highest proportion of concerns raised in 2018/19 were Glasgow City (16 per cent), West Dunbartonshire (nine per cent) and City of Edinburgh (eight per cent).
37. There are some recurring themes in the correspondence we received about local government including, procurement and management of contracts, sale or development of land (eg inadequate consultation, lack of transparent decision-making) and disposal of assets.
38. Police Scotland and Audit Scotland produced the [Red flags – procurement](#) publication for auditors in October 2019. This document sets out some red flags in relation to procurement to identify circumstances which may indicate the need for further audit work. The 2019/20 audit planning guidance sets out a requirement for auditors to report, in either the 2019/20 or 2020/21 annual audit reports, the effectiveness and appropriateness of the arrangements for the prevention and detection of fraud and corruption in the authority's procurement function.
39. We use correspondence to add to our knowledge of audited public bodies, and most issues of concern inform audit work in some way. Issues raised in almost three-quarters of local government concerns in 2018/19 were used as audit intelligence, included in planned audit work or auditors did additional audit work to examine the issue. As at January 2020, 56 issues had been raised during 2019/20.

Accounts Commission committees

40. The Commission's Financial Audit and Assurance Committee (FAAC) reviews matters arising from the annual audit process in each council and joint board. It also reviews intelligence from other bodies concerned with local government such as the Ombudsman, Standards Commission and Information Commissioner. Over its four meetings in 2019, the FAAC also considered:
 - audit quality reports including the 2018/19 update report and an interim report for 2019/20
 - a report on the draft, revised audit quality framework
 - a review of the regulator and audit market
 - a briefing on the CIPFA management code and resilience index
 - a report on the Commission's approach to risk management and reporting
 - a paper on loans fund repayment reprofiling
 - accounting and auditing developments update reports.
41. The Commission's Performance Audit Committee (PAC) reviews policy issues affecting local government. It also oversees scopes and draft reports of individual performance audits, as well as reviewing progress across performance audits as a whole. During its five meetings in 2019, the PAC also considered:
 - policy briefings from each of the three clusters within Audit Scotland:
 - Public finances, investment and economic development (PIE)

- Justice, education and lifelong learning (JELL)
 - Health, care and communities (HCC).
- an impact report on the self-directed support progress report from 2017
- audit quality reports
- a work programme update
- a report on the Commission's approach to risk management and reporting.

Part 2

The pace and depth of continuous improvement in councils in 2019

Councils with BVARs in Year 3

42. All BVARs include judgements on the pace and depth of continuous improvement. Auditors form these judgements based on the evidence available to demonstrate improvement by the council in BV characteristics and service performance. Key messages from the seven councils for which BVARs were completed between January 2019 and January 2020 (Year 3) are set out in [Exhibit 6](#).

- Auditors have reported a mixed picture on the pace of continuous improvement across councils, ranging from clear improvement in South Lanarkshire and North Lanarkshire to an inconsistent or slow pace of improvement in areas in Highland, Midlothian and Stirling councils
- Depth of improvement (impact, extent and coverage) has, in the main, not been council-wide or shown substantial improvements, except in South Lanarkshire. Most councils could demonstrate that some improvements had been made in some areas.
- While a culture of continuous improvement is embedded in South Lanarkshire, a more systematic approach including improved self-evaluation is required in all other Year 3 councils, and to the greatest degree in Highland, Midlothian and Stirling.

Exhibit 6

Summary of findings on pace and depth of continuous improvement from the seven councils subject to BVARs in 2019 (Year 3)

Progress made in pace and depth of improvement has been mixed.

Best Value Assurance Reports

Highland Council

Since the 2010 Best Value report the council's pace of change has been inconsistent and slower in areas including improving performance and taking steps to ensure longer-term financial sustainability. Whilst the pace of change has recently increased significantly, previous examples of a lack of joined-up working have resulted in slower decision making, and differing service performance.



Midlothian Council

The council has delivered a number of ambitious projects since the last Best Value report in 2012, including schools, community campuses, housing and transport. Its overall pace of improvement is mixed. It still needs to focus on some of the key requirements for Best Value, including financial sustainability, financial management and transformation.



North Lanarkshire Council

The council has demonstrated improvement in most areas from the 2008 Best Value report. A new chief executive with a new vision for the area has presented an opportunity to increase the pace of change. The council is well placed to tackle the financial challenges ahead. It has a good approach to self-evaluation and there is evidence of service reviews and improvements being made to create efficiencies and improve services.

**Perth and Kinross Council**

Since the 2008 Best Value report, the council has improved at a steady pace. Overall, outcomes for the community are improving. The council has clear strategic objectives and there is strong member and officer leadership. The Perth and Kinross Offer, a proposed approach to service design and development co-designed with citizens and communities, is at an early stage but has the potential to provide a step-change in the levels of community engagement and the pace of improvement.

**Scottish Borders Council**

The council has made steady progress overall since the 2010 Best Value audit. It has more to do to demonstrate Best Value on some matters including embedding and sustaining a culture of continuous improvement by implementing a corporate approach to self-evaluation and benchmarking. Performance is good or improving in the key service areas of education and social work.

**South Lanarkshire Council**

The council demonstrates strong leadership, clear direction and a strong culture of continuous improvement. It is a well-performing council and continues to make significant progress in fulfilling its duty of Best Value and improving outcomes for its communities.

**Stirling Council**

The council's vision is clear and its services largely perform well and are improving. But the council has not built sufficiently on the position reported in the last Best Value report in 2011 and needs to strengthen the alignment between its performance management and its strategic plans and priorities. A significant increase in the pace of improvement is required.



Source: Audit Scotland







Follow up of Year 1 and Year 2 BVARs

43. Twelve councils had BVARs published in Years 1 and 2 of the five-year programme (2017 and 2018). Audit Scotland's 2018/19 audit planning guidance required auditors to follow up previous BV audit findings reported in earlier years in the 2018/19 AARs.
44. All councils have produced an improvement plan in response to the Commission's findings and recommendations set out in the BVARs. For the Year 1 and Year 2 BVAR councils, a summary of the auditors' progress reports using evidence from the 2018/19 AARs, is summarised in [Exhibit 7](#). The timescale for improvement actions varies; some can be made immediately while others are longer term and will take time to implement. Progress is reported by auditors in all councils in implementing improvement actions. Overall, around half of the recommendations have now been implemented, and progress is being made on the others. One council (West Lothian) has implemented all recommendations.

45. Exhibit 7 shows that all auditors have reported on follow up of BV improvement actions in AARs, except for East Ayrshire Council where progress was reported in the auditor's interim report. However, not all show progress against each improvement action and some do not comment on the current pace and depth of continuous improvement. I will remind auditors of these expectations for the 2019/20 AARs.

Exhibit 7







Summary of progress against recommendations/pace and depth of continuous improvement from the 12 BVAR councils in 2017 and 2018 (Years 1 and 2)

Best Value Assurance Reports 2017/18 (Year 2)		
Overall judgement / current judgement on pace and depth of continuous improvement	Extent to which recommendations have been implemented	
<p>Dumfries and Galloway Council</p> <p>The council has demonstrated good pace in implementing the recommendations raised in the BVAR, including seeking to deliver the transformational change to meet the financial and operational challenges faced.</p>	<p>Three of the seven recommendations have been completed. Three are ongoing and no comment was provided on one.</p>	
<p>East Ayrshire Council</p> <p>No overall judgement on progress is reported in the auditor's interim report or in the AAR.</p>	<p>Actions against the five recommendations are set out in the auditor's interim report. Four out of the five are still ongoing.</p>	
<p>East Lothian Council</p> <p>Overall, the council is progressing a number of activities in response to the Best Value Assurance Report recommendations. Several areas are not due for completion until 2020.</p>	<p>Progress is noted against eight of the recommendations. For the recommendation relating to transformation it is noted that this will be an ongoing assessment.</p>	
<p>Fife Council</p> <p>The council has been slow to prepare a BVAR improvement plan. The chief executive submitted a Best Value improvement plan update to the Standards and Audit Committee in December 2019. The auditors will report on this in the 2019/20 annual audit report.</p>	<p>The council has recently reported good progress with implementing recommendations. The auditors will audit the council's response as part of their interim audit work in 2019/20.</p>	
<p>Glasgow City Council</p> <p>The council has made reasonable progress in addressing the BVAR recommendations.</p>	<p>Three of the seven recommendations are complete. For the remaining four, work is progressing to meet them.</p>	
<p>West Dunbartonshire Council</p> <p>Good progress has been made against all five recommendations made in the 2018 Best Value Assurance Report.</p>	<p>Out of the five recommendations, two are complete and three are ongoing.</p>	

Best Value Assurance Reports 2016/17 (Year 1)

Overall judgement / current judgement on pace and depth of continuous improvement

Extent to which recommendations have been implemented

<p>Clackmannanshire Council</p> <p>The pace of change has increased significantly over the last year, with much to do to implement and embed the changes required for financial and service sustainability (2018/19 AAR).</p> <p>The council has laid the foundations for improvement but still has much to do to implement and embed the changes required (Clackmannanshire Council – progress report, June 2019).</p>	<p>The auditor has commented on progress on each of the four recommendations but concluded that the council still has much to do.</p>	
<p>East Renfrewshire Council</p> <p>The council continues to progress the recommendations from the BVAR. Further improvements have been made to asset management, the monitoring and reporting of the Council's transformation projects and the framework for integrated strategic planning.</p>	<p>There has been progress in three of the five BV recommendations although further progress is required. Improvements are still required in budget forecasting reporting appears and options appraisal.</p>	
<p>Inverclyde Council</p> <p>The council has made good progress in progressing the BVAR Improvement Plan.</p>	<p>Five recommendations are complete and five are outstanding but these are all on track.</p>	
<p>Orkney Islands Council</p> <p>The council continues to demonstrate progress in a number of areas in response to the BVAR published in December 2017. The council must maintain the current pace of improvement and ensure it makes progress with all nine recommendations.</p>	<p>The auditor has reported progress on each of the nine recommendations. Some progress has been made against all.</p>	
<p>Renfrewshire Council</p> <p>The council continues to make good progress in implementing the recommendations from the BVAR. Key to this has been the development and implementation of a performance management framework.</p>	<p>Two recommendations are complete and good progress is being made in relation to the remaining five.</p>	
<p>West Lothian Council</p> <p>The Council has a clear culture of improvement and a commitment to self-assessment of its performance to ensure that services remain focussed on improvement. Council services continue to perform well compared to other councils.</p>	<p>By June 2018, essentially all actions had been completed.</p>	

Source: Audit Scotland

Part 3

Progress against the Commission's strategic audit priorities in 2019

46. In its *Strategy and annual action plan - 2019-24*, the Commission set out its expectation that councils show how they are making the best use of their resources and improving their performance and highlighted that by applying rigorous self-evaluation, councils can focus on where improvement is most needed to help them deliver on their priorities. Five SAPs are included in the strategy which provide a key focus for audit work. The SAPs are considered by all auditors involved in local government work, both locally and nationally, as an integrated part of the risk assessment and five-year Best Value and annual planning processes. Auditors assess councils' performance against the SAPs across the five-year audit appointment and report on each of them in BVARs and annual audit reports.
47. Audit findings reported this year on councils' performance against each of the Commission's SAPs are set out below. As a reminder and for comparison purposes, the findings from the annual assurance and risks reports published in 2018 and 2019 have been outlined at [Appendix 3](#) under each SAP.

SAP 1 - Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning

48. Councils need to have in place clear priorities, effective leadership and long-term planning to support effective decision-making, to drive improvement and maintain a focus on delivering outcomes for the community. For councils to know they are making a difference, they must link their local priorities to measurable outcomes.
49. A refreshed National Performance Framework was launched by the Scottish Government and COSLA in June 2018. Its aim is to improve outcomes for the people of Scotland. Councils and their partners should have regard to the National Performance Framework when developing local outcome priorities and measures.

Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting

50. The Year 3 BVAR councils set out broad areas of focus in their strategic plans. Councils refer to these as strategic objectives, strategic priorities, ambitions, strategic themes or priority outcomes. These are usually outcomes-based and cover National Performance Framework themes:
- **health and wellbeing**, eg, improve the health and wellbeing of our communities
 - **education**, eg, developing, educated, responsible and informed citizens
 - **the economy**, eg, promote economic growth and tackle disadvantage

- **community safety**, eg, people are part of safe and caring communities
- **involving communities**, eg, enhance participation, capacity and empowerment across our communities.

51. Most of the Year 3 BVAR councils' vision and priorities are either the same as those of their partners through working to the same plan or are aligned with those of their partners.

- In North Lanarkshire and Midlothian, the council and the community planning partnership work to the same plan. The Plan for North Lanarkshire brings together the LOIP and the council's business plan (approved in March 2019) while the Single Midlothian Plan, updated annually, sets out the vision of the council and its partners in the CPP and directs the council's work.
- The vision and priorities of Stirling and Perth and Kinross councils are aligned with those of their partners. In Stirling, the council has aligned the four partnership outcomes in its local outcomes improvement plan (LOIP) with the six priorities of the council in the most recent iteration of its business plan. In Perth and Kinross, the council's vision is shared with the community planning partnership (CPP) and the LOIP and the corporate plan have the same five strategic objectives.
- In South Lanarkshire, the council and its partners have a shared vision but the links between plans could be clearer. Four out of the five ambitions in the council plan overlap with those of the community planning partnership.

52. Despite councils having outcomes-based objectives and priorities, most Year 3 BVAR councils were limited in their ability to show if and how these outcomes were being achieved due to weaknesses in their performance management arrangements:

- Perth and Kinross Council had not used a specialised software system for managing performance for over five years and could do more to consistently demonstrate that performance management was driving change and improvement. The council could make more explicit the linkages between underperforming service performance indicators and the associated actions in improvement plans.
- Scottish Borders Council has only recently aligned its performance management framework with its current corporate plan (since 2018/19). Performance reports lack a clear, succinct overview of the council's position and the number of indicators and the amounts of performance information provided vary significantly across the four corporate themes. There is scope for performance reporting to more clearly and consistently include concise information on reasons for underperformance and actions to address these, helping drive continuous improvement.
- Highland Council does not make good enough use of data and scrutiny to drive improvement. The council has very recently set targets for improvement across the indicators in its new corporate plan.
- North Lanarkshire needs to maintain focus on underperforming areas. It needs to understand better and learn from service user satisfaction information, particularly for care services.

- South Lanarkshire is aiming to provide elected members with a clearer picture of performance against the objectives in its business plan. The BVAR reported that for some indicators it was not always clear how targets or timescales had been met and many of the targets were set lower than the performance level achieved in previous years.
- In Stirling, development of an effective performance management framework has been slow. Performance reporting does not provide a clear summary of performance against all its priorities or key performance measures to elected members or the public.

Fairness and equality are embedded in councils where these were reviewed by auditors

- 53.** Tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens should be key priorities for local authorities and all of their partners, including local communities. In achieving Best Value, a local authority will be able to demonstrate that equality and equity considerations lie at the heart of strategic planning and service delivery.
- 54.** Auditors reported on equalities in three councils through AARs – Argyll and Bute, City of Edinburgh and West Dunbartonshire - and made the following observations:
- Equality, diversity and human rights are embedded in the City of Edinburgh Council's vision and strategic direction.
 - Argyll and Bute Council has embedded consideration of users' needs, equalities and equal opportunities at the planning and budgeting stages of service redesign.
 - West Dunbartonshire Council has satisfactory arrangements in place to ensure it meets its responsibilities under the Equality Act 2010. There is also evidence that fairness and equality are embedded within the organisation.
- 55.** The South Lanarkshire BVAR commented that the council has shown a commitment to dealing with staff fairly and equitably. Examples include effective working relations and open communication with trade unions, being the first local authority in Scotland to introduce a menopause policy and running transgender awareness sessions for managers and head teachers to help them understand how they can better support trans staff and pupils.

There has been a notable level of change in leadership over the last 18 months in councils and IJBs

- 56.** Changes in leadership can be positive and can lead to an increased pace of improvement but they can also have an impact on capacity and momentum. In many cases new chief executives introduce a management restructure. Six of the seven BVAR councils this year have experienced a change of chief executive in the last 18 months (Highland, Midlothian, North Lanarkshire, Perth and Kinross, South Lanarkshire and Stirling). Since August 2018, new chief executives have also been appointed in Falkirk and North Ayrshire. We reported two recent chief executive departures in the *Current audit issues in councils* report to the FAAC in November 2019 in Argyll and Bute (left January 2020) and East Lothian (left December 2019). The retirement of Orkney Islands Council's chief executive has also recently been confirmed.
- 57.** In the Stirling Council BVAR we reported that the number of changes in senior management had slowed the council's pace of improvement: "*There have been several management*

restructures in the last five years. In August 2018, the previous chief executive resigned after four years in post. These changes have been disruptive and unsettling for some staff, have caused a loss of corporate memory and have slowed the council's overall pace of improvement. A period of stability is now needed. The interim chief executive for the six-month period from September 2018 was permanently appointed in March 2019.”

58. A period of stability is also required at Highland Council, in order for the leadership team to work together to deliver the improvements required to sustain and improve services in the future.
59. In North Lanarkshire Council we reported that the new chief executive has “*created a new energy and focus*”. In Perth and Kinross Council, we found the new chief executive’s vision of the Perth and Kinross Offer has been widely welcomed by officers and members and has the potential to provide a step-change in the pace of improvement.
60. We reported in the *Local Government in Scotland: Financial overview 2018/19* that over one third of IJBs had experienced a change in their chief officer or chief finance officer during 2018/19. In some cases, both these postholders had changed. For example, in the Scottish Borders, there have been four chief officers since the IJB was established in 2016, and no permanent chief financial officer. The lack of continuous leadership has impaired the IJB's progress. However, there is now continuity in the position of a chief officer and a refreshed effort by the council, NHS Borders and the IJB to address their shared challenges cooperatively.

Long-term financial planning has not advanced since last year. More progress is needed and the content of medium-term financial plans could be improved

61. The need to find and deliver savings is expected to continue, increasing the importance of medium and long-term planning to manage these financial challenges and to make well-informed decisions aligned to council priorities. Previous Accounts Commission reports have recommended that councils should plan for a range of scenarios, so they are prepared for different future levels of funding and income
62. The content of medium-term financial plans (MTFPs) could be improved. The *Local government in Scotland: Financial overview 2018/19* encouraged councils to review their MTFPs annually and highlighted that not all included key elements, for example, estimates for Scottish Government funding, a total projection for net expenditure, projections of net expenditure at service level, projections for service income or projections for the cost of borrowing.
63. Our *Local government in Scotland: Financial overview 2018/19* reported that long-term financial planning, covering more than five years, is only taking place in ten councils and has not progressed since last year. Examples of where it is taking place include:
 - Dundee City Council where auditors highlighted the good progress the council had made in long-term financial planning. In August 2019 a long-term financial outlook and financial strategy covering the ten-year period 2020-30 was approved by elected members. The report noted the projected revenue requirements for the period to 2030, the projected savings and efficiencies required over the period to deliver balanced

budgets and recommended the adoption of the long-term financial strategy which, critically, would be linked to the council's Changing for the Future transformational change programme.

- East Renfrewshire Council where long-term financial plans are in place which demonstrate how the council will address future challenges. As part of the annual budget setting meeting, the council presents its long-term financial plan, covering the period 2019 to 2025. This provides detail on the range of funding scenarios which the council is planning for, and also provides some useful commentary and narrative for the economic and demographic that the council is planning for over the period. The council has included reference to the Scottish Government's medium-term financial strategy in its financial strategy

64. As reported in the *Local government in Scotland: Financial overview 2018/19*, two-thirds of IJBs have a medium-term financial plan in place, an improving position from the previous year. However, no IJBs had a financial plan that extended for more than five years. A focus on longer-term financial planning is required by IJBs as changes under integration are only likely to be achieved in the longer-term.

SAP 1 - Risks identified and future audit work planned to report on the risks

	Risks identified	Accounts Commission key risk area	Future audit work
Priorities and outcomes	Councils cannot show they are addressing their priorities through improving outcomes.	Ability to deliver better outcomes	Monitor and report developments in performance management frameworks and the reporting of outcomes in AARs, BVARs and in overview reporting. Future performance audits relating to specific issues or client groups, eg, Social care sustainability (Autumn 2020), Mental health (2022/23), Progress in addressing child poverty (2022/23)
Leadership	Changes in leadership have a negative impact on capacity and momentum to deliver the transformation required for financial sustainability.	Leadership, governance and organisational capacity	Monitor and report any changes in senior management regularly to the Accounts Commission through current audit issues work and overview reporting Briefing paper on leadership (date tbc)

	Risks identified	Accounts Commission key risk area	Future audit work
Long-term financial planning	<p>Long-term financial planning is not developed, contributing to financial sustainability risks in councils and integration joint boards</p> <p>Medium-term financial plans do not include key elements so elected members and officers are not fully informed before making difficult decisions.</p>	Challenging and uncertain financial outlook	<p>Monitor developments in long-term and medium-term financial planning in AARs, BVARs and report in detail in overview reporting.</p> <p>Future performance audits relating to financial sustainability: Social care sustainability (Autumn 2020), Early learning and childcare (2021/22)</p>

SAP 2 – The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners

65. The Accounts Commission's report, *How councils work – Options appraisal: Are you getting it right?* from 2014 set out the importance of options appraisal. Councils need to consider a wide range of options when considering what services to provide and how to deliver them. They must assure themselves the services they are providing are value for money, efficient and effective and demonstrate Best Value through continuous improvement. They can do this by critically assessing the current arrangements and by looking at how services are provided by other councils and other organisations.
66. A robust options appraisal helps councils make important decisions and provides assurance that all the relevant issues, including quality, cost and risk have been considered. It also helps to ensure decisions are transparent and based on solid information.
67. In making more fundamental changes councils have different approaches. Many have a transformation programme, although it is not always called this, whereas some integrate service redesign work into mainstream council management and improvement activity.

There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.

68. There is limited audit evidence from this year's BVARs and AARs of the systematic use of options appraisal by councils. Auditors are required to undertake work covering all the SAPs over the five-year period of their appointment, meaning they will not necessarily report on options appraisal every year and so what has been reported can be viewed as an indication. A small number of individual options appraisal exercises were referred to in our BVAR work in 2019:
- We reported that, overall, Scottish Borders Council undertakes effective options appraisals when tackling significant decisions, for example, the outsourcing of ICT, setting up a trust for delivering cultural services and developing a long-term approach to the school estate.
 - In North Lanarkshire an options appraisal for the delivery of community engagement was used, involving six options including an online engagement hub and the use of an external consultant to manage all aspects of the citizens' panel.
69. Options appraisal was also referred to in a small number of AARs. This tended to be in relation to processes in place around transformation activities:
- In Aberdeen City Council, arrangements for options appraisal are included within their business case template. We concluded their arrangements were robust and appropriate.
 - In Falkirk Council, we highlighted that the majority of projects in the transformation programme required an options appraisal. We reviewed a sample of three options appraisals and were satisfied they were used to stimulate discussion and debate prior to selection of the favoured option. However, the success of the transformation

programme will rely on increasing the pace of transformational change and officers providing members with real options for savings.

There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. There are many examples of effective smaller-scale joint working.

- 70.** Working well with local partners in the public, private and third sectors is becoming increasingly important as councils try to deliver more for less. Councils can do this in a number of ways, including:
- shared arrangements between councils
 - using the CPP as a vehicle for collaborating with partners, including the third sector
 - working together through integration joint boards, entering into shared services and other collaborative arrangements, including regional working.
- 71.** Year 3 BVAR councils generally work well with partners. There are examples of councils working with partners to redesign services:
- In Midlothian more than 16 organisations from across the CPP and the third sector are working on a project to redesign mental health and wellbeing support services.
 - Stirling Council is working in partnership with NHS Forth Valley and the Scottish Ambulance Service to create Stirling Health and Care Village (operational January 2019).
- 72.** Other examples of partnership working between Year 3 BVAR councils and partners are set out below:
- Stirling Council is working with Includem, a third sector organisation, to improve outcomes for looked after children and shares the trading standards service with Clackmannanshire.
 - In South Lanarkshire, the Scottish Fire and Rescue Service works with the council's housing and social work teams to increase the number of home safety visits for vulnerable people.
 - In Midlothian the CPP identified improving positive destinations for school leavers as a priority. Different departments within the council, Skills Development Scotland, local colleges and universities collaborated in a number of ways, for example, investing in individual school leavers who were considered at risk of not achieving a positive destination. As a result, the percentage of pupils entering a positive destination improved.
- 73.** Many shared arrangements, of varying scales, are in place between Year 3 BVAR councils and other councils:
- Perth and Kinross Council has a service level agreement in place with Angus, Dundee City and Fife councils for the provision of additional environmental health, trading standards and food safety services if required. These four councils also share specialist equipment and operatives to deal with contaminated land.

- Scottish Borders Council shares a chief internal auditor post with Midlothian Council.
- South Lanarkshire Council hosts the Clyde Valley Learning and Development Partnership. This delivers shared approaches to training, learning and development across eight councils
- North Lanarkshire Council is the lead authority on the Clyde Valley Residual Waste Partnership. This is an agreement with four other local authorities to ensure the requirements relevant to the ban on biodegradable waste going to landfill are met by 2021, through a two-stage treatment process.

74. Other examples of collaborative working referred to in this year's AARs include the following:

- A shared Head of Service for Roads and Transportation was appointed in January 2019 for both West Dunbartonshire and Inverclyde Councils. This role is to be extended to wider Environmental Services from April 2020.
- Inverclyde Council has also agreed to implement a shared management model for Internal Audit services with West Dunbartonshire Council. This will involve a single Head of Internal Audit to oversee both internal audit departments from January 2020.

CPPs need to take a more active role in leading partnership working and strategic change in some areas

75. In two Year 3 BVAR council areas, we found that CPPs needed to take a more active role in leading partnership working and strategic change. Partnership working was taking place in these areas but most of it was taking place outwith the direction of the CPP:

- In Perth and Kinross, we found there was an opportunity to increase the impact of partnership working by increasing the effectiveness of the CPP. Concerns raised about the CPP by elected members and partners included community planning being seen as a separate process that sits to one side of other effective partnership working and the need for the CPP board to be more strategic. Attendance was not seen by some as an effective use of attendees' time.
- In South Lanarkshire we reported the activities of the thematic groups should be better coordinated by the CPP board to ensure they contribute to achieving the community plan objectives. There is also a lack of clarity around the resourcing of community planning initiatives by the CPP, with little evidence of resource pooling.

76. The effectiveness of partnership working with the third sector in our Year 3 BVAR councils was mixed:

- In Highland, the Highland Third Sector Interface (TSI), the representative body for third sector organisations, notes some opportunities for improvement have been lost through a lack of good partnership working with the third sector, although there are early signs of improved approaches to joint working.
- South Lanarkshire Council is looking to extend its links with the third sector by involving other organisations to help them engage with hard-to reach groups.

- In Perth and Kinross, the TSI found it challenging to engage with all the local action partnerships through the CPP structure.
- In Midlothian, engagement and partnership working with the third sector is effective at community planning level. The TSI feels a valued member of the CPP and shares the vision and priorities of the Single Midlothian Plan. The TSI also values the support the council gives in terms of attending meetings, sharing information and facilitating links with wider partners.

The development of city and growth deals has led to increased joint working between councils and with partners, typically on large infrastructure projects

77. The *Scotland's City Region and Growth Deals* performance audit notes that city region and growth deals arrangements have led to an increase in joint working between councils with external bodies, such as the UK and Scottish Governments, national agencies, councils, universities and business representatives. There is also evidence of increased joint working across councils among councillors and at chief executive and officer levels. This is beginning to influence how councils work and make decisions in other areas of council activity. For example, in the Glasgow region, the chief executives are in the early stages of looking at how they could distribute funding to address child poverty and post-EU funding on a regional basis.
78. Many of the comments in this year's AARs around partnership working referred to work relating to the relevant city deal or growth deal.

While there remain concerns around the operation of IJBs, there is some evidence of IJBs improving outcomes

79. In the *Local Government in Scotland: Financial overview 2018/19*, we highlight the significant challenges for IJBs and the need to do much more to address financial sustainability. We also report that the pace of progress with integration has been too slow. Year 3 BVAR reports indicate some specific areas of concern but also highlight some evidence of IJBs improving outcomes.
80. Integration joint boards were in place in six of our seven BVAR councils. In Highland, health and social care services are delivered through a lead agency model, the only one of its kind in Scotland. All adult social care services in the area are the responsibility of NHS Highland, and Highland Council is responsible for all community children's services. In Highland we found limited progress has been made in shifting the balance of care, but some outcomes have improved recently.
81. We reported concerns around operational issues in Stirling, Perth and Kinross and Scottish Borders:
- In Stirling the size and structure of the IJB makes taking decisions more challenging. The IJB is the only HSCP in Scotland that spans two local authorities. It is the second largest in Scotland with 36 board members. Agendas are large and at times debates are cut short because of time constraints. The size of the board makes it unwieldy and reduces its effectiveness as a decision-making forum.

- Perth and Kinross IJB has had numerous changes in membership over the last three years, making its operation more difficult. Scrutiny and governance remain challenging. The effectiveness of working arrangements with the IJB has strengthened in the last 12 months with increased communication at executive level and a new leadership team in place.
- Scottish Borders Health and Social Care Partnership IJB has had four chief officers since it was established in 2016 and the lack of continuous leadership has impaired its progress.

82. We highlighted a number of operational achievements and improved outcomes in other areas:

- In Midlothian IJB we noted a more strategic approach to planning underpinned by extensive public consultation, delivery of a £1 million underspend and investment in workforce planning.
- South Lanarkshire IJB has made good initial progress and there are examples of changes to models of service delivery designed to improve outcomes for residents, for example, the extension of palliative care services. Funds have been redirected into community services such as homecare, district nursing and other community-based services. There is also evidence of performance improvements with decreasing unscheduled bed days and a reduction in bed days lost as a result of delayed discharge.
- In North Lanarkshire IJB some progress has been made against the national performance indicators used to measure the success of integration. This includes a reduction in the number of unplanned hospital bed days and an increase in the proportion of people spending the last six months of their lives in the community. The number of bed days lost due to delayed discharges, the level of emergency admissions and attendances at A&E remain a big challenge for North Lanarkshire.
- Aberdeenshire IJB reported scores at or above the Scottish average in 16 out of 19 national indicators in its 2019 annual performance report.
- East Dunbartonshire IJB either improved or maintained performance in 18 out of 20 Scottish Government core indicators. It also performed well in its own indicators based on health and social care experiences
- Orkney Islands IJB showed positive performance in comparison to its peer group for eight out of nine outcomes.

Five of the Year 3 BVAR councils are at an early stage of implementing their current transformation plans. Some councils cannot demonstrate they have effectively planned to deliver the service redesign required to address future budget gaps

83. Financial and demand pressures mean that planning and implementing changes to find efficiencies alone is no longer enough and the redesign of service delivery is needed to address future budget gaps. Councils are required to make significant savings over the next five years, reporting a budget gap in 2019/20 of £0.5 billion. Councils plan to fill two-thirds of the projected budget gap in 2019/20 through savings, and this will include savings from

transformation. In 2018/19, councils delivered 87 per cent of planned savings, many using reserves to fill the gap but reliance on reserves is unsustainable.

84. It is difficult to assess the overall progress and impact of transformational change with many programmes at an early stage of implementation. In five of the Year 3 BVAR councils, progress with current transformation plans is at an early stage:
- In Highland Council a three-year change programme has been developed for the period from 2019/20. Good progress is reported but risks exist around 17 per cent of projected savings this year.
 - Stirling Council is currently realigning its transformation agenda with its five-year business plan.
 - The business case for North Lanarkshire Council's large-scale transformation programme, focusing on digital, was approved in March 2019.
 - In Perth and Kinross Council, the Perth and Kinross Offer, an initiative setting out how the council will improve in partnership with citizens and communities, is currently being developed.
 - The current transformation programme in Scottish Borders Council began in February 2019.
85. In Midlothian Council, progress with transformation has been relatively slow. The council has made limited progress on its corporate transformation programme which has contributed to its difficulties in reaching a sustainable financial position.
86. South Lanarkshire Council uses an ongoing risk-based approach of structured self-assessments to review and redesign services with a focus on transformational change.

SAP 2 – Risks identified and future audit work planned to report on risks

	Risks identified	Accounts Commission key risk area	Future audit work
Options appraisal	Options appraisal is not being used systematically by councils when making decisions about service redesign.	Ability to deliver better outcomes	The use of options appraisals will continue to be monitored and reported in future BVARs, AARs and overview reports. Options appraisals featuring in performance audits will also be reported.
Collaborative working	The full potential of collaborative working is not being maximised leading to services not being as	Challenging and uncertain financial outlook	The extent to which councils are working collaboratively will continue to be monitored and reported in future BVARs, AARs and overview reports. Future performance audits featuring collaborative working examples, including:

	Risks identified	Accounts Commission key risk area	Future audit work
	efficient or effective as they could be.		<p>Early learning and childcare (early 2020 and 2021/22),</p> <p>Social care sustainability (Autumn 2020)</p> <p>Improving outcomes for children with additional support needs (Spring 2021)</p> <p>Health and social care: the third performance audit (2023/24)</p>
Transformation	<p>Councils cannot deliver the level of service redesign required to address future budget gaps.</p> <p>The pace of change is not adequate to respond to developing challenges and forecasted funding reductions.</p>	Challenging and uncertain financial outlook	<p>The extent to which councils are redesigning services and the savings they are making will continue to be monitored and reported in future BVARs, AARs and overview reports.</p> <p>Performance audits focusing on financial sustainability or ways of delivering services differently:</p> <p>Supporting economic growth: the role of local authorities (mid-2020)</p> <p>Digital progress in local government (mid-2020)</p>

SAP 3 - Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future

87. Councils should have arrangements in place that prepare and support elected members and senior managers to respond to the challenging and changing local and national demands. This means ensuring there is appropriate, ongoing training and development to support both elected members and management. The 2016 report on [How councils work: Role and responsibilities in councils – Are you still getting it right?](#) stresses the importance of training and development to support elected members with the skills and tools required to carry out their complex and evolving roles.
88. Councils should also have regular and structured mechanisms in place to consult and engage with all members of staff. Understanding and acting on the views of staff, giving them ownership of change programmes, is key to driving improvement.

There is still a mixed picture across councils on the effectiveness of training and development for elected members

89. Elected members have a responsibility to take advantage of the training opportunities provided. In Stirling and South Lanarkshire councils, officers had put in place extensive training and development programmes but uptake by elected members was limited. Attendance at training sessions was also reported as being low in North Lanarkshire and Midlothian councils.
90. In Highland Council and Scottish Borders Council extensive induction training programmes were in place for new members. But there was limited evidence of continuous development and further training beyond a series of briefings.
91. Elected members should work with officers to review their personal training and development needs and agree a plan to ensure they have the skills required to effectively fulfil their scrutiny and challenge roles. Training and support for members needs tailored to their individual needs on an ongoing basis. Perth and Kinross Council was the only Year 3 BVAR council to systematically use personal development plans. Despite Renfrewshire Council's Year 1 BVAR recommending that elected members take advantage of the training and development opportunities the council provides, this year's AAR for the council recommends that further action is required by elected members to review their individual training requirements with a view to agreeing tailored personal development plans.
92. Elected members have asked for training and briefing materials to be made available online in a number of councils, to make them more accessible. North Lanarkshire Council has introduced an online portal which provides staff and elected members with more flexibility in accessing training.

Organisation-wide workforce planning is developing but not all councils have detailed service-level plans

93. Councils need to ensure they have the staff, skills and leaders to deliver change. This requires effective workforce planning. Also, councils spend a substantial part of their revenue budgets on their staff and reducing the workforce is one of the main ways councils have made savings.

94. We found in *Local government in Scotland: Challenges and performance 2019* that the quality of workforce planning was inconsistent. Councils need to do more to ensure they understand in detail the profile and capacity of the management and workforce they currently have and need in the future.
95. All Year 3 BVAR councils had organisation-wide workforce strategies of between three and five years in place but not all had detailed plans below them to implement the strategy. We also found limited information on learning and development opportunities provided for officers to enable them to fulfil their role effectively. Scottish Borders Council needs to develop longer-term workforce plans and ensure work is integrated into individual service plans. Similarly, detailed service-level workforce planning is still being developed in North Lanarkshire Council.
96. Stirling Council has a rolling five-year strategic workforce plan which is linked to its five-year business plan and budget-setting approach while South Lanarkshire Council has an organisation-wide three-year workforce plan. The plan details how workforce planning relates to the council's priority objectives and includes a profile of the current workforce to support succession planning.
97. Over the last year improved workforce plans have been developed in East Lothian, West Dunbartonshire and in the Orkney Islands in response to recommendations in Year 1 and Year 2 BVARs. Wider issues around workforce planning will be discussed in *Local government in Scotland: Challenges and performance 2020*.

Councils could do more to regularly consult and engage with their staff to help drive improvement

98. Four of the seven Year 3 BVAR councils have not conducted regular staff surveys. Surveying staff can provide valuable feedback to senior management, enabling them to understand and act on the views of staff, helping drive change and improvement. Scottish Borders Council has not run a council-wide staff survey since 2010 while Highland Council has not done so since 2015 and North Lanarkshire Council has not for a number of years. There were no staff surveys conducted at Stirling Council between 2008 and 2018. Midlothian, Perth and Kinross and South Lanarkshire councils all carried out staff surveys within the past two years.
99. Other methods of engaging with staff used by the Year 3 BVAR councils include:
- a three-year 'Investors in People' programme being rolled out across all services by North Lanarkshire Council
 - engagement events with members of staff on the budget in Midlothian, South Lanarkshire and Highland councils
 - an online staff survey and a number of round-table discussions with both management and operational staff on plans and priorities as part of the development of a new community plan in Stirling
 - regular meetings between the chief executive and staff from all services to share comments and ideas at Stirling Council and at Perth and Kinross Council the introduction of think yes sessions where staff are invited to share their thoughts and ideas on the future of the council and what challenges and opportunities they face.

- staff roadshows to consult on change programmes (Fit for 24 at Scottish Borders Council and the Perth and Kinross Offer at Perth and Kinross Council).

	Risks identified	Accounts Commission key risk area	Future audit work
Effectiveness of elected member training and development	Elected members do not have the skills required to effectively fulfil their scrutiny and challenge roles.	Leadership, governance and organisational capacity	Elected member training and development will continue to be monitored and reported in future BVARs, AARs and overview reports.
Workforce planning	<p>Workforce planning is not effective leading to councils not having the staff, skills and leaders they need to deliver change.</p> <p>The extent to which councils provide adequate learning and development opportunities for officers is not known.</p>	Leadership, governance and organisational capacity	<p>The effectiveness of workforce planning will continue to be monitored and reported in future BVARs, AARs and overview reports. It will be discussed in detail in <i>Local government in Scotland: Challenges and performance 2020</i></p> <p>Future performance audit on workforce planning: post-EU withdrawal (2021/22)</p> <p>Briefing paper: Teacher workforce planning (Winter 2020)</p>
Engaging with staff	A lack of regular staff engagement leads to staff not feeling informed, involved, valued or motivated making it harder for councils to implement improvements.	Leadership, governance and organisational capacity	<p>The effectiveness of staff engagement will continue to be monitored and reported in future BVARs, AARs and overview reports.</p> <p>Future performance audit on workforce planning: post-EU withdrawal (2021/22)</p> <p>Briefing paper: Teacher workforce planning (Winter 2020)</p>

SAP 3 - Risks identified and future audit work planned to report on the risks

SAP 4 – Empowering local communities and involving them in the design and delivery of local services and planning for their local area

100. Community empowerment is about supporting people to do things for themselves and enabling people to take control over decisions and factors that affect their lives. The Community Empowerment (Scotland) Act 2015 gives people more influence over how their council and its partners plan services. It provides more formal ways for people to get involved, through, for example:

- community asset transfers – where communities can take responsibility for land and buildings
- participation requests – where people can ask to take part in decisions about council services
- participatory budgeting – where communities can have a say in how the council should spend public money locally.

Working with other scrutiny bodies, we have developed a shared understanding of what we mean by community empowerment to support scrutiny

101. In July 2019, the Strategic Scrutiny Group, published [Principles for Community Empowerment](#), to establish a shared understanding of what we mean by community empowerment to support scrutiny. This group is made up of scrutiny bodies in local government and is chaired by the Account Commission. The principles document has been very well-received by other public bodies and third-sector organisations as well as the other scrutiny bodies.

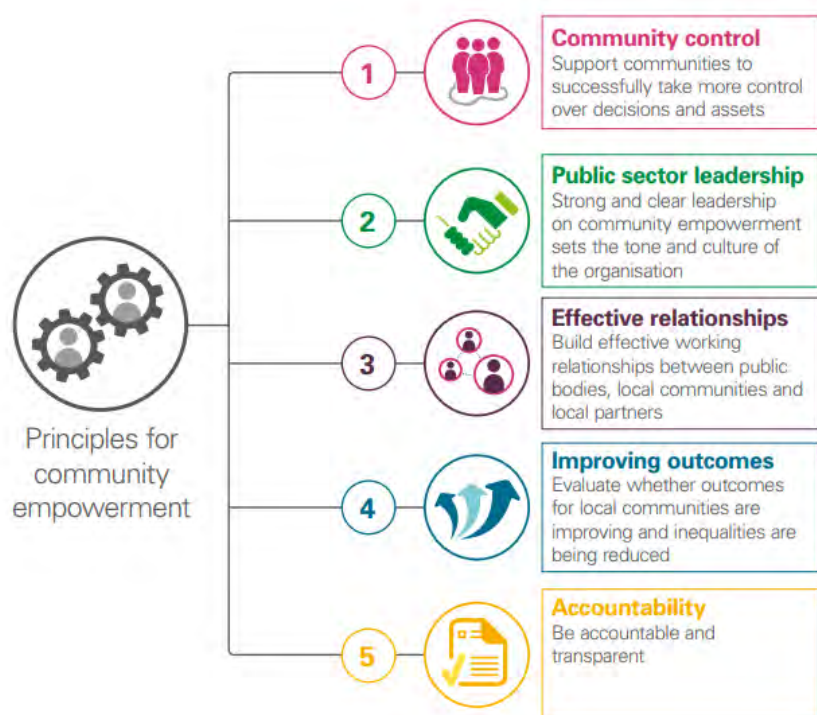
102. The principles document provides:

- an overview of what we mean by community empowerment
- summarises the benefits for communities and public bodies of doing community empowerment well and some of the risks associated with it
- outlines principles to promote a shared understanding across scrutiny bodies and to help public bodies make the most of the opportunities ([Exhibit 8](#))
- highlights some good practice examples of what is already happening across Scotland.

Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes

103. In *Local government in Scotland: Challenges and performance 2019* we reported that some councils: had well-established arrangements in place to empower communities; were providing training to elected members and officers to enhance their knowledge of community empowerment; and were working to develop community capacity, including providing information and training to communities on how to deliver a service and support through the community asset transfer process.

104. Most councils could provide good examples of community engagement working well at a service level but could do more to involve communities earlier in strategic planning discussions and demonstrate the outcome of engagement.

Exhibit 8**Principles for community empowerment**

Source: Audit Scotland

Most of the Year 3 BVAR councils have been slow to progress elements of the Community Empowerment (Scotland) Act 2015

105. While we have seen examples of good progress in Midlothian Council, the majority of our Year 3 BVAR councils still need to do more to meet their obligations under the Community Empowerment (Scotland) Act 2015.

- In Scottish Borders Council, community asset transfers, participation requests and participatory budgeting are all at an early stage and the CPP has been slow to empower and engage communities
- South Lanarkshire Council needs to improve how it uses community engagement to shape services. It has recently established a Community Participation and Empowerment Team to review its approach to community participation and engagement.
- In Highland Council community asset transfers have increased but community experience of the process has been mixed.

Five of the seven Year 3 BVAR councils had not published locality plans for all the priority areas they identified

106. The Act requires CPPs to identify the areas within the council boundaries that have the poorest outcomes and publish 'locality plans' to improve outcomes for these communities. Five of the seven Year 3 BVAR councils did not have locality plans in place for all their priority areas. Both North and South Lanarkshire councils had no locality plans in place, Stirling had finalised one of four locality plans, Scottish Borders had developed all their locality plans but they were still in draft and Highland Council had developed plans for 11 out of 25 of its priority

areas. In many cases the slow progress is the result of a lack of resources – finances, staff and time – to carry out the significant level of engagement and consultation required.

- 107.** The Commission is intending to make the theme of community empowerment more prominent across its work and is considering how to report on this in the future. It plans to focus on sharing good practice in areas such as the transfer of community assets, participation requests and participatory budgeting and is considering using the 2020/21 performance and challenges local government overview report to highlight messages from Best Value audit work in this area.

SAP 4 - Risks identified and future audit work planned to report on the risks

	Risks identified	Accounts Commission key risk area	Future audit work
Empowering local communities	Councils provide little opportunity for communities to influence or take control of decision-making processes	Progress with public service reform	Community empowerment will continue to be monitored and reported in future BVARs, AARs and overview reports. The Commission is currently developing its future audit approach and considering using the 2020/21 performance and challenges local government overview report to highlight messages from Best Value audit work in this area focusing on: consultation and engagement, community use/ownership of local assets and resources and sustainability of new initiatives.
Engaging with local communities	There are poor relationships and a lack of trust between communities and the council. This can affect the willingness and capacity to share power and work together	Ability to deliver better outcomes Progress with public service reform	Community engagement will continue to be monitored and reported in future BVARs, AARs and overview reports. Future performance audits that may inform this risk include those relating to specific issues or client groups, eg: Social care sustainability (Autumn 2020) Mental health (2022/23) Housing for an older population (2022/23) The Commission is considering how to report on consultation and engagement (see above)

SAP 5 - Reporting the council's performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes

108. Councils need robust self-evaluation and quality performance information to identify where improvement is needed to deliver on their priorities. Rigorous self-evaluation, based on good quality information, can provide this.

109. Good performance reporting includes:

- clearly stating how performance and spend are linked to the council's priorities
- local indicators which demonstrate quality of service
- public satisfaction levels
- an overall assessment of the council's performance against outcomes
- benchmarking of performance with others to identify areas for improvement and where they can learn from others.

A more systematic approach is required to self-evaluation in many councils

110. Two of the seven Year 3 BVAR councils demonstrated effective self-evaluation:

- South Lanarkshire Council uses a structured self-assessment and review programme to drive continuous improvement. The council uses the Empower self-assessment model, based on EFQM and PSIF principles, to identify areas for review. It has adopted a proportionate and risk-based approach to self-assessment targeting areas of poor or deteriorating performance.
- North Lanarkshire Council has a good approach to self-evaluation but should ensure the actions from these exercises are clear and measurable.

111. However, lack of consistency of approach to self-evaluation was a frequent finding for the other councils:

- Midlothian lacked a corporate approach to self-evaluation
- The approaches of Scottish Borders, Highland and Stirling councils to self-evaluation and continuous improvement have been inconsistent. A more systematic approach is required.
- Perth and Kinross Council's self-evaluation could be more explicit about improvement plans.

Many councils could improve on how they report performance information to the public

112. The Commission places great emphasis on councils' responsibilities for public performance reporting. This is a key element of the performance management framework and covers how effectively local authorities are reporting performance information to the public. The Commission does not prescribe how councils should report this information, but expects them to provide the public with fair, balanced and engaging performance information.

113. The 2015 SPI direction, which was applicable for the 2018/19 audits, requires each council to report a range of information setting out its performance in improving local public services,

improving local outcomes, engaging with communities and service users and in achieving Best Value. Councils are also required to report on their performance in local government benchmarking framework (LGBF) indicators.

114. South Lanarkshire Council introduced 'spotlights' performance pages on its website in 2017/18, designed to give the public an overview of council performance. The infographics show performance against certain measures for each of the council's strategic objectives. The information presented on the website includes details of performance over the last three years and comparisons with Scottish averages where applicable. The information reported in these pages provides a comprehensive picture of service performance.
115. However, the other six Year 3 BVAR councils each demonstrated some weaknesses in how they reported performance to the public:
- In Perth and Kinross Council we reported that public performance reporting should be more balanced.
 - Stirling Council does not provide a clear summary of performance against all its priorities or key performance measures to councillors or to the public.
 - In Scottish Borders Council, performance reporting to members and the public should be more comprehensive and clearer about why performance has deteriorated and what action is being taken.
 - Highland Council could be clearer about progress against targets when reporting.
 - Midlothian council provides comprehensive performance information to elected members and the public but the vast majority of its 139 indicators do not have targets
 - Public performance information on North Lanarkshire Council's website is not kept up to date. The annual audit report stated that the website was still not up-to-date despite being mentioned in the BVAR.
116. Weaknesses in public performance reporting were also reported through the AARs. For example:
- Falkirk Council did not produce an annual report of performance against key indicators in each Directorate's performance plan. No up-to-date performance information was available for 2018/19. There was also no evidence that key outcomes within the Community Plan are publicly reported.
 - Annual reports at corporate level were not produced for Moray Council in 2017/18 and there was no overall summary of how the council performed on the LGBF indicators. Members and the wider public wishing to scrutinise performance information cannot easily access annual performance information.
117. A revised SPI direction was published by the Accounts Commission in December 2018, which applies from 2019/20 (Part 4).

SAP 5 - Risks identified and future audit work planned to report on the risks

Risks identified

**Accounts
Commission key
risk area**

Future audit work

<p>Public performance reporting</p>	<p>Performance is not reported accurately or comprehensively to the public or to elected members leading to a lack of accountability and a lack of knowledge to make informed decisions.</p>	<p>Ability to deliver better outcomes</p>	<p>As 2019/20 is the first year of the new SPI direction, auditors have been asked to report, in their 2019/20 AARs, a conclusion on the effectiveness and appropriateness of the arrangements in place for complying with the direction and any recommendations for improvement in the arrangements.</p> <p>Public performance reporting will continue to be monitored and reported in future BVARs, AARs and overview reports.</p>
<p>Self-evaluation</p>	<p>Councils are not self-aware and do not understand their own performance and so cannot make improvements.</p>	<p>Ability to deliver better outcomes</p>	<p>The effectiveness of self-evaluation will continue to be monitored and reported in future BVARs, AARs and overview reports.</p>

Part 4

Looking forward

Annual audit assessment of key risks

- 118.** The annual audit work carried out by auditors is planned to address the key audit risks in each council. Alongside local government-level risks, local audit work will also be informed by local risks. The results of this work will be reported in annual audit reports for 2019/20.
- 119.** Throughout 2019, auditors have advised Audit Scotland of any emerging issues and risks in audited bodies on an ongoing basis. These are reported to the Accounts Commission through the current audit issues papers presented to the Performance Audit Committee and the Financial Audit and Assurance Committee twice a year and in my updates at Accounts Commission meetings. These inform Audit Scotland's public sector risk register.

Best Value in councils

- 120.** A further seven BVARs are planned to be published in 2020. These are provisional publication dates and are subject to change:
- Argyll and Bute Council (April 2020)
 - Moray Council (May 2020)
 - North Ayrshire Council (June 2020)
 - City of Edinburgh Council (August 2020)
 - Dundee City Council (September 2020)
 - Aberdeenshire Council (October 2020)
 - Falkirk Council (November 2020).
- 121.** The final six BVARs are planned in 2021, year five of the audit appointments:
- Aberdeen City Council
 - Angus Council
 - East Dunbartonshire Council
 - Comhairle nan Eilean Siar
 - Shetland Islands Council
 - South Ayrshire Council.
- 122.** The Controller of Audit has not yet confirmed the timing of BVARs for these councils, to provide flexibility to react to any issues identified by local auditors.
- 123.** A schedule of planned BV work for each council during the remainder of the audit appointment is contained in each auditor's five-year Best Value Audit Plan (BVAP). Auditors are not required to publish the BVAPs as the future BVAR programme could be amended as risk assessments change across the councils.

- 124.** Where a BVAR has been published in a previous year, the annual audit report should include follow up of the auditor recommendations and any additional Accounts Commission recommendations included in their findings. Auditors should also make reference to their current judgement on the pace and depth of continuous improvement. This should reflect on the BVAR judgement and be updated for the results of follow-up audit work. The results of this work will be reported in the next Annual Assurance and Risks Report.
- 125.** The Accounts Commission has agreed the Best Value audit approach in councils for the audit appointments from 2021/22. Best Value audit work will be fully integrated into annual audit work and reported in the AARs; the new Code of Audit Practice will reflect this. This builds on auditors' current reporting of BV findings in AARs:
- An Annual Audit Report for each council will be reviewed by the Commission at least once over the five-year audit appointment. The AARs will be presented under the cover of a S102 Controller's report. No separate Best Value Assurance Reports (BVARs) will be published. This will provide the Commission with assurance on BV in each individual council.
 - The Accounts Commission will determine coverage of Best Value thematic work. This work will be carried out as part of the annual audit and reported in AARs. Themes will be selected after consideration of risk areas reported by auditors and reflected in the Controller's Annual Assurance and Risks Report. This will provide assurance to the Commission on its selected themes across Scotland and support national Best Value thematic reporting.
- 126.** The audit approach for auditing Best Value in IJBs is currently being discussed with the Commission. In December 2019 I delivered a presentation to the Commission on how we might best achieve the objective of providing assurance to the Commission on BV in IJBs, in a way that is proportionate and adds value. We will focus on developing the detail of the new approach in 2020.

National performance audits

- 127.** Audit Scotland carries out a programme of national performance audits that it undertakes on behalf of the Commission and Auditor General for Scotland. There is a comprehensive process for identifying and refining the programme of work. This includes ongoing work by the three cluster groups in Audit Scotland and a central team to collate potential areas of interest. Consideration of options and priorities by the Commission and the Auditor General is at the heart of the process. Consultation with other stakeholders also contributes to the assessment process. The Commission is considering its forward work programme in March. Audit Scotland has several performance audits planned in the coming year on behalf of the Commission including:
- Early learning and childcare: Progress report
 - Affordable housing
 - Improving educational outcomes for young people through school education
 - Digital progress in local government
 - Supporting economic growth: the role of local authorities.

Housing benefit performance audits (HBPA)

128. In view of the changes to the social security landscape, a more strategic approach is being taken to HBPA from 2019/20. This will shift the balance of work from reports on the risks at individual councils towards more cross-cutting thematic reviews that look at risks across councils. There are two such thematic reviews planned for 2019/20; one on overpayments, and the other on resourcing models. In addition, the audit team is taking a more risk-based and proportionate approach to changes in performance at individual councils. Two reviews of individual councils are planned to take place during 2019/20.

New SPI Direction

129. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a council to report its:

- performance in improving local public services provided by the council (on its own and with its partners and communities), and progress against agreed desired outcomes
- own assessment and independent audit assessments of how it is performing against its duty of BV, and how it plans to improve these assessments
- how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

130. As 2019/20 is the first year of the direction, auditors have been asked to evaluate the effectiveness and appropriateness of the arrangements at each council to fulfil the above requirements and report their conclusions in their 2019/20 annual audit reports along with any recommendations for improvements in the arrangements.

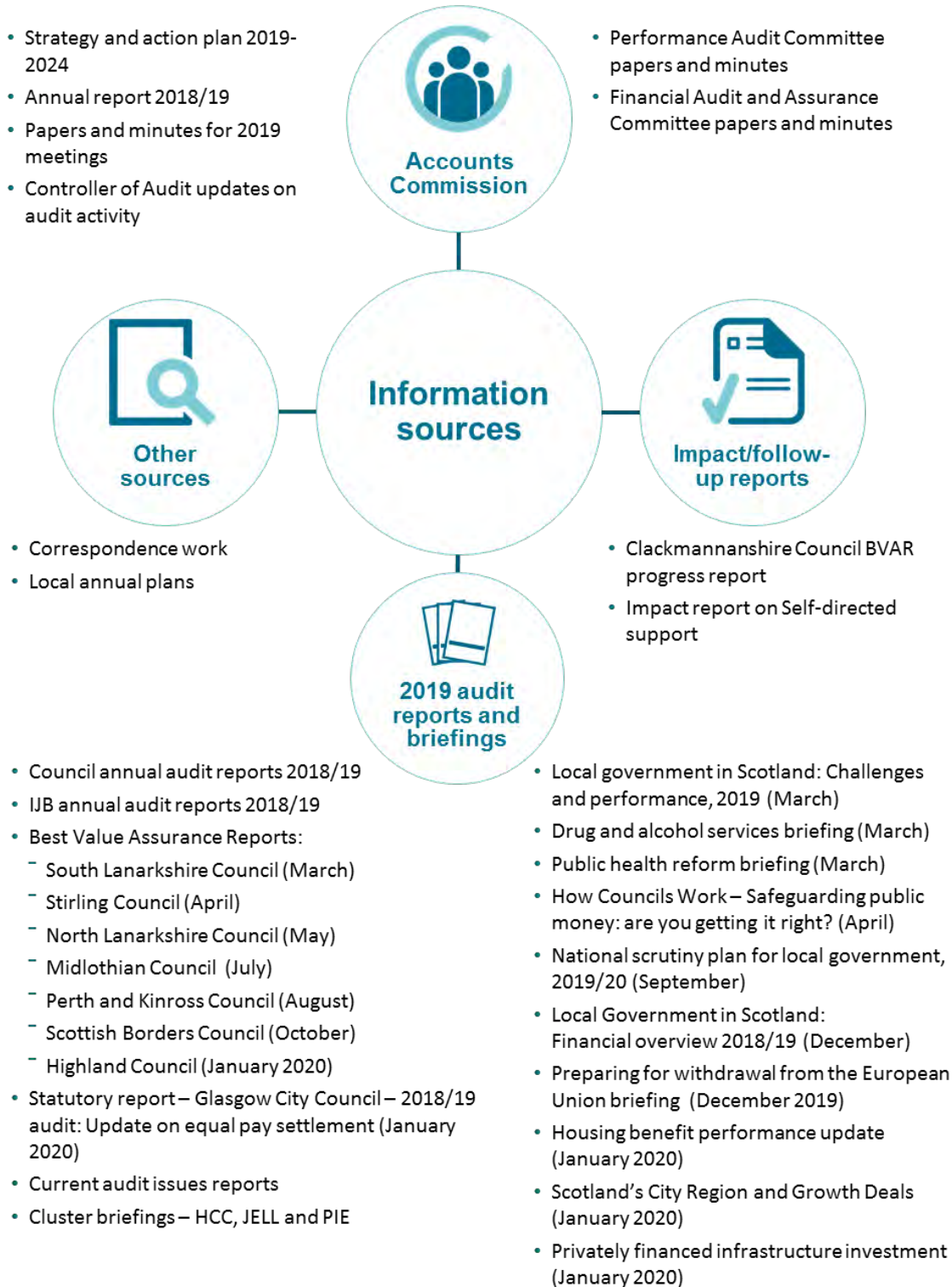
Shared risk assessment and the National Scrutiny Plan

131. Following a review of the shared risk assessment process, from 2019/20 there is a greater focus on coordinating and reporting on scrutiny at a national level. The National Scrutiny Plan (NSP) for local government, to be updated every six months, summarises the strategic scrutiny activity planned each year across councils. The arrangements for coordinating scrutiny at a local level continue to include a Local Area Network (LAN) for each council. LANs are led by the local auditor of the relevant council, and the results of discussions between the LAN and its council feed into the NSP. We are monitoring the impact of these changes and will report regularly to the SSG.

132. In addition to the auditing activities set out above, my team and colleagues from across Audit Scotland will continue to monitor and provide briefings on key risks and issues of interest.

Appendix 1

Information sources used



Appendix 2

Summary of identified audit risks

Key risk areas - Commission	Risks described in AARR based on audit evidence from 2019
Challenging and uncertain financial outlook	Long-term financial planning is not developed, contributing to financial sustainability risks in councils and integration joint boards.
	Elected members and officers are not fully informed before making difficult decisions, eg, medium-term financial plans do not include key elements.
	The full potential of collaborative working is not being maximised leading to services not being as efficient or effective as they could be.
	Councils cannot deliver the level of service redesign required to address future budget gaps.
	The pace of change is not adequate to respond to developing challenges and forecasted funding reductions.
Ability to deliver better outcomes	Councils cannot show they are addressing their priorities through improving outcomes.
	Councils are not self-aware and do not understand their own performance and so cannot make improvements.
	Options appraisal is not being used systematically by councils when making decisions about service redesign.
Progress with public service reform	Councils provide little opportunity for communities to influence or take control of decision-making processes
	There are poor relationships and a lack of trust between communities and the council. This can affect the willingness and capacity to share power and work together towards a shared goal
Leadership, governance and organisational capacity	Changes in leadership have a negative impact on capacity and momentum to deliver the transformation required for financial sustainability.
	Elected members do not have the skills required to effectively fulfil their scrutiny and challenge roles.
	Workforce planning is not effective leading to councils not having the staff, skills and leaders they need to deliver change.
	The extent to which councils provide adequate learning and development opportunities for officers is not known.
	A lack of regular staff engagement leads to staff not feeling informed, involved, valued or motivated making it harder for councils to implement improvements.
	Performance is not reported accurately or comprehensively to the public or to elected members leading to a lack of accountability and a lack of knowledge to make informed decisions.

Appendix 3

Summary of progress against the SAPs; comparing 2018 and 2019

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)
SAP 1: Having clear priorities with a focus on outcomes, supported by effective leadership and long-term planning	
<p>Councils need to continue to develop and strengthen their arrangements to show that outcomes are being achieved.</p> <p>Collaborative leadership and cultural differences between the partner bodies is affecting the pace of change for IJBs, which will impact on service delivery.</p> <p>Long-term financial planning is not fully developed - Councils should build on their medium-term financial planning and develop suitable long-term financial plans.. The majority of IJBs do not have medium term financial plans, and none currently have long term financial plans</p>	<p>Councils generally set out priorities with a focus on outcomes aligned with work of their partners. But progress is often unclear due to weaknesses in performance reporting.</p> <p>There has been a notable level of change in leadership over the last 18 months in councils and IJBs.</p> <p>Long-term financial planning has not advanced since last year. More progress is needed and the content of medium-term financial plans could be improved.</p> <p>Auditors reported that in the councils where they reviewed fairness and equality, these were embedded in council activities.</p>
SAP 2: The strategic appraisal of options to re-shape services in line with priorities. This should consider good practice, innovation and collaborative working with partners	
<p>Councils are in the early stages of new or refreshed transformation programmes.</p> <p>Councils show improving practice but scope for more improvement when considering service delivery options such as ALEOs.</p> <p>There is more evidence of councils collaborating with other public-sector bodies, however there is limited evidence of councils sharing services</p>	<p>Five of the Year 3 BVAR councils are at an early stage of rolling out their current transformation plans.</p> <p>There is little audit evidence of options appraisal being used systematically by councils, when making decisions about service redesign.</p> <p>There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. The development of city</p>

2018 AARR (reported in January 2019)	2019 AARR (reported in February 2020)
	and growth deals has led to increased joint working between councils and with partners.
SAP 3: Ensuring that members and officers have the right knowledge, skills and support to design, develop and deliver effective services in the future	
<p>Training programmes should be tailored to suit the needs of councillors which should improve attendance rates.</p> <p>Councils are at various stages in developing organisational-wide workforce planning. Generally, further work is required.</p>	<p>There is still a mixed picture across councils on the effectiveness of training and development for elected members.</p> <p>Organisation-wide workforce planning is developing but not all councils have developed detailed service-level plans</p>
SAP 4: Empowering local communities and involving them in the design and delivery of local services and planning for their local area	
<p>Councils are beginning to implement their community empowerment arrangements at a local level - While arrangements for discharging responsibilities under the Community Empowerment Act have been established, there is limited progress.</p> <p>Where councils are undertaking public consultations, there is little evidence to show that they are taking the results into account when setting the annual budget.</p>	<p>Most of this year's BVAR councils have been slow to progress elements of the Community Empowerment Act</p> <p>Working with other scrutiny bodies we have developed a shared understanding of what we mean by community empowerment to support scrutiny.</p>
SAP 5: Reporting councils' performance in a way that enhances accountability to citizens and communities, helping them contribute better to the delivery of improved outcomes.	
<p>Councils have effective performance management frameworks in place. However, public performance reporting ranges in quality, and there is scope for councils to learn from each other to continue to improve the standard of reporting to their communities</p>	<p>Many councils could improve on how they report performance information to the public.</p> <p>A more systematic approach to self-evaluation is required in many councils.</p>

Annual assurance and risks report

Local government

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MEETING: 6 FEBRUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

WORK PROGRAMME: STAKEHOLDER CONSULTATION FEEDBACK

Purpose

1. This report sets out the responses to the Commission's November 2019 consultation on its work programme for 2020-25. Audit Scotland will consider these responses as it develops proposals for this year's work programme refresh, to be considered by the Commission at its March meeting.

Background

2. The Commission has a rolling five-year programme of work published jointly with the Auditor General. This sets out detailed work for the first two years and an indication of likely areas of work for the subsequent three years. It is updated each year to reflect emerging issues in local government. The Commission's stakeholder consultation is a key part of this exercise.

Consultation

3. The Commission is required by statute to consult with its local authority stakeholders, including trades unions and employee associations, before undertaking its audit work.¹ In November 2019, the Commission approved a report by the Secretary setting out this year's approach for consulting stakeholders over its rolling five-year rolling work programme. This consultation took place over November to December 2019. The [consultation document](#) invited stakeholders to comment on the programme as a whole and, specifically to invite views on the following:
 - Any further issues or topics to consider in the work programme.
 - Views on the timing of the programme
 - Views on potential topics for proposed reporting specific to local government services
4. We consulted with approximately 90 stakeholders comprising council chief executives, chief officers from HSCPs, and trades unions and third sector representatives. The consultation was widened this year to include health and social care partnerships (HSCPs - also referred to as integration joint boards), and members of Audit Scotland's Equalities and Human Rights consultative group. We included the Scottish Council for Voluntary Organisations for the first time last year, and continue to include them in our consultation.
5. We received 27 responses comprising 19 councils; five HSCPs, and three third sector bodies. As would be expected given the wider circulation this year, this is slightly higher than our typical response rate. However, the timing of the consultation at a busy time of the year, not least with the general election, may have reduced the response that might otherwise have been received.. Commission members have been provided through the members' sharepoint site with the individual responses and a summary of respondents submitting their views.

Summary of the consultation responses

6. **Appendix 1** summarises the key messages from stakeholders, and **Appendix 2** includes a detailed summary of the individual responses. All responses are shown as non-attributable as

¹ 1973 Local Government (Scotland) Act, section 97A(3).

some respondents had submitted their returns in confidence.

7. All respondents welcomed the opportunity to provide their feedback on the work programme. Overall, they were very positive about the content of the programme. This gives the Commission assurance that it is addressing risks and issues that are important by the local government community. The respondents emphasised important themes around climate change, health and social care, and local government funding pressures.
8. There was strong continued support for the Commission's core products including overview reporting, the *How councils work series*, and the Commission's use of alternative outputs such as briefing papers.
9. Respondents proposed some new topics for the work programme. This included topics which may be possibly suited to the Commission's *How councils work series* in areas such as transformation good practice and financial planning. It also raised suggestions for reporting on specific local government services such as planning, licensing, culture and leisure. The Commission can therefore consider how best to respond to these areas of interest, be it through the Best Value and other annual audit work in councils or through its performance audit or related work such as public briefing papers.

Commission consideration

10. The Commission is therefore asked to consider responses from the consultation and indicate any particular areas that it would wish Audit Scotland to incorporate into the work programme refresh proposals to be considered at the March meeting.

Next steps

11. The response summaries have been shared with Audit Scotland to assist them with their programme refresh proposals. The Secretary and Commission support team has also discussed the findings with Audit Scotland's policy development groups.
12. Audit Scotland will continue to develop the work programme refresh proposals as a joint Accounts Commission and Auditor General programme. The Commission has agreed with Audit Scotland that it bring options for its consideration to its March meeting. As part of its 2020 work programme refresh, the Commission will also wish to consider the Controller's Audit Assurance and Risks report, which is included in the Commission's February agenda.
13. The Chair will finalise joint aspects of work programme with the Auditor General before its scheduled publication in late March. The Commission will also publish its updated strategy along with its work programme.
14. I will update, on behalf of the Commission, all of the consultees with the updated programme of work once it is agreed, including a summary of the responses as set out in Appendix 2. Audit Scotland will share the feedback with appointed auditors and with Local Area Network leads. The joint work programme will also be shared with other stakeholders including Ministers, MSPs and Scottish Parliamentary committees.
15. Members may also wish to note that an options paper on the proposed audit on local economic growth, currently scheduled for a mid-2020 publication, will be considered at this February's Performance Audit Committee.

Conclusion

16. The Commission is invited to:
 - a) Consider the responses to the consultation and reflect on any implications for the programme of work

b) Note the next steps in considering the work programme and Commission Strategy.

Paul Reilly
Secretary to the Commission
28 January 2019

Work programme 2020-25: consultation feedback – summary of key themes and issues

Feedback on the overall programme

There is strong positive feedback on the comprehensiveness of the work programme, the relevance of the risks it addresses and its likely added value (17 respondents offer positive endorsements in their replies).

- Positive feedback on the Commission's reporting approach including: the two separate local government overview reports; the Commission's *How Council Work* series; and the use of more responsive reporting through briefing papers (nine councils endorsed these products).
- Support for use of phased audits to audit complex long-term change (eg health and social care, early learning and childcare).
- Feedback to request advance notice of fieldwork sites; and the need for work programming to be proportionate, co-ordinated and to consider councils' other commitments.
- Several respondents offer to engage with us over our work including community empowerment, human rights and equalities, and the audit of health and social care partnerships (HSCPs).

Audit programme timing and scope

- Overall, the feedback supports the proposed timing of the work. Some suggestions are made about the timing of a small number of audits (eg health and social care integration, waste management, and replacing EU structural funds, and the local government financial overview). Audit Scotland will consider these when preparing the March work programme refresh proposals.
- Respondents make suggestions about the potential scope of some audits (eg future workforce planning audit work, housing for older people, future mental health audit work, supporting economic growth, digital services). We have passed these to Audit Scotland for consideration during the scoping phases of the relevant audits.
- Several requests are made for further information on proposed work, including the leadership briefing paper planned for this year; early learning and childcare, and audit work on digital services.

Themes and topics highlighted for the Commission to consider

- Local government funding and reform is identified as a prominent issue in several responses, including the potential impact of funding cuts on statutory functions. Respondents suggest a briefing or overview of funding and note the local governance review.
- Some respondents would welcome good practice examples on transformation, prevention, shared services, and on making more fundamental service delivery decisions.
- Some respondents highlight European Union (EU) withdrawal and its impact on workforce and funding as an issue for the Commission to continue to monitor.
- Climate Change – there is strong support to give greater prominence to this topic and councils' response to the climate emergency in the work programme (noted by eight respondents).
- Health – this is a prominent topic with respondents noting interest in public health, care at home, drugs and alcohol, mental health, and learning disabilities services (noted by six respondents). Several respondents note the sustainability of care services and the need for a 'whole-systems' view to recognise the complementary role of public, third and private sector providers.
- This was the first year we consulted with health and social care partnerships, and issues relevant to HSCPs featured strongly. Topics of interest included outcomes, financial sustainability, digital health services, and support services provided by councils. Some HSCP respondents offered to provide further support to our developing audit in this area.

- Community Empowerment – it is now five years since the introduction of the Act, and there is strong support for audit work looking at public involvement and its impact (noted by five respondents). One respondent noted the need to consider ‘community infrastructure’ eg local transport and digital connectivity in the context of poverty, equalities and human rights.
- Some respondents highlight collaborative leadership, and the importance of a ‘whole-systems’ view, including the assessment of available resources.
- On economic growth, some respondents highlight employability as a missing area, and note challenges for rural and island communities, and for cities. The need for strong links between economic growth work, and interest in how funding cuts may impact on infrastructure maintenance is also noted eg schools and roads.

Potential local government service topics

Respondents highlighted additional topics for the Commission to consider in its programme. Some of these are made specifically in response to our request for topics relevant to proposed audit work on local government services.

- Good practice in transformational change and making fundamental service delivery decisions.
- Planning (Act).
- The Licensing Act and the role of licensing boards and partnerships.
- Public transport.
- Public health reform.
- Organisational capacity in councils to maintain effective support services, including for HSCPs.
- Procurement of people services.
- Workforce planning eg ageing workforce and skills gaps re trading standards and environmental health.
- Culture and leisure services, given contribution to improving public health.
- Housing management (to incorporate homelessness).
- Revenue services, including increase in rent arrears.
- ‘Greenspace’ services
- Employability
- Financial and demographic planning
- Cyber security
- Data sharing

COMMISSION WORK PROGRAMME 2020-25 CONSULTATION RESPONSE SUMMARY

(table includes extracts and text para-phrased from responses to the Commission's consultation)

Issue or observation*	By:
Feedback on current programme	
Funding and reform	
Flexibility will be required in the work programme to allow complex issue of European Union (EU) Withdrawal to feature on an ongoing basis, as the fuller implications on the public sector in Scotland begin to emerge.	Council
EU withdrawal (2019/20); workforce planning post-EU withdrawal, replacing EU funding ('structural funds') (2022/23) - we would support flexibility in the proposed scope and timing of these as further information and implications become known and to ensure capacity of Councils to respond when implementing such changes. As key policy decisions and planning for withdrawal lie at a national level, we would expect that the robustness of Scottish Government plans will form part of this audit as well as the local government and partner planning and responses. It would be helpful if that was clarified.	Council
I note strategic capital investment is to be reviewed and I would welcome a focus on how the core infrastructure (schools, social care facilities, roads, street lighting, bridges etc.) will be able to be maintained in future with restricted capital grant funding, limited ability to generate capital receipts and limited ability to fund prudential borrowing via revenue savings.	Council
Leadership and organisational capacity	
The Council notes the proposed performance audit on 'Workforce planning post EU-withdrawal' and many other audits in the plan are joint reviews to be carried out with the Auditor General for Scotland. // Will these be scoped to reflect the shift in the balance of care to communities as part of the integration agenda. It would be helpful if this could be clarified.	Council
In this area there is mention of 2 reports relating to workforce planning- <ul style="list-style-type: none"> • Workforce planning– post EU withdrawal (joint) - 2021/22 • Briefing paper: Teacher workforce planning (joint) – winter 2020. There are wider issues in workforce planning than those just related to Brexit although it is recognised that there are a few councils that will be hit hard due to this. Local Government are struggling to recruit in areas including Trading Standards, Homecare, Teaching, Digital roles e.g. User Research, Business Analyst, Enterprise Architect, to name a few.	Council
In relation the workforce it would be helpful to consider the implications of pay levels on the ability to recruit and retain staff and how councils can address this when facing ongoing funding restraint.	Council
Do councils only look at their own capacity or look across the piece around themes eg capacity to address poverty and social isolation has to include the voluntary sector as a key partner.	Third sector/ other
Achieving outcomes	
It is important that overview reports continue to set out the context we are working in, the impact on councils of Scottish and UK government policies and decisions, and are clear on where councils can impact on outcomes and where we cannot, for example, it is not possible for councils alone to address child poverty.	Council

Issue or observation*	By:
<i>Health and wellbeing related</i>	
That the social care sustainability audit considers the balance of risk and the transfer of resources between local authorities and NHS bodies in relation to Integration Joint Boards.	Council
The continued focus on planning and delivering outcomes is welcomed and critical to demonstrate the impact of services. We particularly welcome the joint performance audits planned for 2022/23 in respect of mental health and addressing child poverty, as these areas continue provide significant challenges here and across Scotland	Council
With regard to the proposed joint work in respect of self-directed support, it would be helpful to acknowledge that the Health and Social Care Partnership was included in the initial work and also selected as one of six thematic inspection partnership areas; therefore, we would anticipate that the follow-up would be respectful of this and proportionate.	Council
Given the focus on sustainability of social care that a review within this or related to it into the handling of delegated budgets for social care, from Councils to IJBs, would be helpful in understanding the variation in practice across Scotland and its possible impact on outcomes for people.	HSCP
Housing for older people – I do wonder if this should be repositioned as housing / accommodation options for people with complex health and social care needs – not age or stage related but need and person centred focussed.	HSCP
Early learning and childcare (2019/20 and 2021/22) – would the scope of these reviews consider the integral role played by commissioned providers? Further information on the content of the programmes would be welcome.	Council
<i>Mental health</i>	
Consider widening the proposed mental health performance audit to cover distress. This would reflect the national direction around this important partnership area, and ensure that all relevant services and provisions are included.	Council
Would welcome more detail on which aspect of Mental Health is proposed for audit – this is such a broad area. I'd also comment that Housing for Older People is a possible sub-set or aspect of the sustainability of social care rather than a standalone audit – but perhaps don't have sufficient detail on this.	HSCP
<i>IJB- related</i>	
<p>Organisational stress tests – we feel that there would be merit in selecting a sample of IJB's to carry out a deep dive/stress test of what their financial position looks like over the next one to three years. This could include a focus on:</p> <ul style="list-style-type: none"> • Approaches being taken regarding unscheduled care activity. • Living Wage. • Workforce challenges. • Consequences and impact of Care at Home and Care Home cost increases. <p>It would be helpful for this to be carried out early on in 2020/2021 in order that the outcome of this work can be incorporated into early budget setting discussions for 2021/2022.</p>	
<p>Rationalisation of IJB's – it would be helpful to hear the Accounts Commissions view of the sustainability of the current number of IJB's.</p> <p>Could efficiencies be released from the rationalisation of the number of IJB's similar to those realised by the reorganisation of Police Scotland and Scottish Fire and Rescue.</p>	HSCP

<p>Report on digital in health and social care – following the recent health and social care digital maturity assessment carried out across all health and social care partnerships (HSCPs), it would be helpful to have an independent view of the results and the ability of the Scottish Government (SG), Councils and Health Boards to provide the resources required to deliver on the national health and social care digital strategy. HSCPs are reliant on partner organisation infrastructure, expertise and resources to deliver on this. It would help if this work could identify areas where digital has led to real change or transformation and from this promote how these changes are progressed at scale for all parts of Scotland.</p>	HSCP
<p>Report on measuring outcomes – this is a challenge for many HSCPs. It would be good to see where this is being achieved and the approach taken. Also, worth looking at the continued national and local focus on performance indicators which do not align with the national direction being set. How do we move towards a truly outcome focused model of health and social care? What is the role of the SG, partner organisations and HSCPs to achieve this?</p>	HSCP
<p>What is the profile of HSCI in the council? How well is it understood / accepted / promoted and supported by officers and politicians; what is the quality of support given to IA's by the council to support HSCI – in terms of key enablers / communications and behaviours</p> <p>I welcome the reference to sustaining adult social care. In relation to HSC there is much expected in terms of pace and momentum, however IA's have to fund double running costs for many areas of change e.g. Self-Directed Support; this is a rate limiting factor</p> <p>Pace, Momentum, Spread – attention needs to be given to both capacity and capability in the councils / IA's to support the scale and type of change . Few areas have assessed these essential requirements</p> <p>When considering capital it will be important to ensure adequate attention is given to IJB funding for both sustainability and transformation; capital lies outside the core IA budget</p>	HSCP
<i>Economy and infrastructure-related</i>	
<p>Suggest that the role of local authorities in supporting economic growth audit seeks to capture the roles and responsibilities of all stakeholders involved in these processes. And that the scope of this audit work on Scotland's city and growth deals, is considered alongside work on sustainable economic growth to avoid unnecessary duplication.</p>	Council
<p>Supporting economic growth: the role of local authorities (2020/21) and the two audits of City Deal (2019/20 and 2021/22) – there is little in the narrative to indicate how these audits will inform each other although they are clearly linked in terms of outcomes. We would welcome further information on how these link as a body of work. We would also suggest consideration and inclusion of the wide range of stakeholders involved beyond the Council and the regional perspective to these areas. Timing is important, particularly for City Deal given the focus on the planned Gateway Review in 2020. Supporting economic growth will also be impacted by EU withdrawal – suggest this is reflected in the scoping. Consideration of the suspension of structural funds and the risks to councils is also suggested.</p>	Council
<p>The work on public transport is both sensible and timely as is the proposed work on planning services.</p>	Council
<p>I hope the focus on economic growth will be looking at inclusive growth, not just straightforward GDP type measures.</p>	Third sector/ other

Digital progress in local government (2020/21) and digital services (2021/22) – there are clear links between the two and it would be helpful if the scope of each, and the definition and measurements of ‘progress’, could be clarified, as well as the extent to which enabling through national policy and investment will be considered. Also, we would welcome confirmation if these audits would consider impacts of digital progression beyond delivery of savings and into longer-term delivery of outcomes.	Council
The proposed workplan (assuming that “affordable housing” examines the issue in the round, including demand for, and management of, associated homelessness services) looks comprehensive	Council
Feedback on new areas to consider	
Suggested local government services topics	
It would be good to see a focus on the impact on local government services that are not supported by ring-fencing of funds, (ie outwith Education and Social Care). For example, the impact on workforce planning – areas of dwindling skills e.g. Trading Standards. How do we invest in to support, ageing workforces e.g. impact of Apprenticeship Levy. Also, there are various support services required to support change (e.g. ICT, HR) – it would be useful to explore the impact of ring-fenced funding on capacity for change.	Council
Demographic planning is a huge issue which is core to the longer-term planning and is something that we've been working on with the ONS this year.	Council
A further area of examination may be the role of Licensing Boards and the extent to which they are delivering on the objectives of the Licensing Act or working in partnership.	Council
It would be worth considering some specific work on homelessness.	Council
We would support the focus on planning services and public transport. The Audit Scotland/IS roundtable on planning would hopefully provide an excellent grounding for justifying the inclusion of planning services in the programme. <ul style="list-style-type: none"> • Regulatory Services – e.g. Environmental Health and Trading Standards, given workforce planning challenges, potential impact of Brexit etc. • Culture and Leisure Services, given the contribution they can make to improving public health • Housing management (could incorporate homelessness) • Revenue services (e.g. this could focus on the increase in rent arrears and how councils are tackling this). 	Third sector/ other
Audit of organisational capacity in Councils – in light of savings, can LAs still effectively provide support services, particularly to HSCPs? It would be beneficial to assess the impact of financial pressures on support services (back office functions such as Admin, HR, ICT and Payroll) across Scotland.	HSCP
Funding and reform	
<i>Funding</i>	
I would anticipate that the Equal Pay Impact Report this report will build on the findings of the earlier report. This is particularly relevant in councils such as ours, where regular testing of our Equal Pay arrangements is carried out by our Audit Team, and where necessary funds, deemed sufficient by Audit Scotland, have been set aside for the purposes of Equal Pay.	Council

Cuts to local government funding is biggest risk re 1) the impact on funding they receive from councils, and 2) the expectation that they will pick up the pieces where councils' own services are cut (eg in terms of sport, the arts, mental health, social isolation and much more). AC assessment could consider onward impact, not just on communities but on voluntary sector and community organisations. All of the above also applies to the impact of Brexit.	Third sector/ other
Although your programme of work recognises the challenging context in which local government operates, I think there would be value in exploring what sustainable local government services could look like in the future as a whole system rather than references to individual services. There is no fiscal analysis available to contribute to this discussion and I think there would be merit in incorporating this into your work programme.	HSCP
The scale of the challenge is such that salami slicing of budgets is no longer viable and there needs to be a systematic change in the services which are offered. Your previous reports have been good at highlighting isolated examples of good practice but would there be merit in looking at organisations which have delivered a whole system approach to local government services offered. An example of this would be the work undertaken at Wigan Council, which has been independently reviewed by the Kings Fund.	HSCP
The challenges of delivering rural and island settings are recognised. There are also challenges for City's which receive funding based on the needs of their population. The nature of services in City Councils are such that they attract users from beyond their city population which place added demands on services. The Council has undertaken some work on this which I am sure they would be prepared to share.	HSCP
It would be helpful to consider a briefing paper on funding for councils and the local financial flexibility that is available. Budget settlements in recent years have been for a single year only, with increased formal ring-fencing of funding or informal ring-fencing via input targets such as number of teachers. There also continues to be restrictions on local tax decisions.	Council
Consider an assessment of whether the burgeoning variations on the "regional" approach is actually making any difference, or just adding complexity?	Third sector/ other
Welcome inclusion of replacing EU structural funds. We are working with SG re UK Shared Prosperity Fund. Sees issues over how SG has managed EU funding (matter for AS) but huge impact on councils as lead partners.	Third sector/ other
Welcome further look at equal pay (ie impact report)	Third sector/ other
<i>Transformation</i>	
The level of savings required can only be fully achieved through a review of service delivery ie fundamental decisions about which services are provided and, by inference, which are no longer delivered or delivered at the same level. Consider that delivery of service reviews is an appropriate topic for a performance audit. This is more comprehensive than service transformation which focuses more on changing how we deliver current services. Welcome the Commission raise awareness of these challenges.	Council
While it is a theme that will run through some of the existing proposed work, a specific paper on shifting services to a more preventative focus, informed by good-practice examples, could be very helpful. Although all authorities see the Christie Commission principles as vital to longer-term financial sustainability (in addition to providing better outcomes for service users), putting them into practice has in many cases proved challenging.	Council

The progress and impact of the Local Governance Review may also be a useful briefing paper.	Council
An audit around transformational change would be of value focussing on work within councils around managing fundamental change in service delivery that identifies lessons that could be learned across the local government sector.	Council
Risk area 3 (progress with reform) could give some consideration to the work being undertaken to progress Integration of Health and Social Care services, the impacts of this and the relationships with independent and third sector.	HSCP
<ul style="list-style-type: none"> Progress and impact of Shared Services Progress being made with 'whole system' reform/ transformation and the accountability issues that may emerge from this. 	Third sector/ other
Audit on effectiveness of transformation programmes to deliver tangible benefits whilst delivering financial balance / saving targets. It would be helpful to learn where there have been organisation successes with major change programmes, as opposed to small tests of change. It would be useful to have an independent view on HSCPs' ability to deliver transformational change given the financial and demand pressures and limited funding to resource the significant change programmes required – their ability to create the capacity required (both time and resource). Also, for the Commission to consider realistically how long it will take to start seeing the positive impact of change programmes, given we are operating on one year budget setting cycles and three plus year funding, confidence with transitional funding being available is required.	HSCP
Leadership and organisational capacity	
Under the topic of 'leadership' for a briefing paper, it would be interesting to find out more about what this might cover?	Council
Audit of organisational capacity in Councils – in light of savings, can LAs still effectively provide support services, particularly to HSCPs? It would be beneficial to assess the impact of financial pressures on support services (back office functions such as Admin, HR, ICT and Payroll) across Scotland.	HSCP
Audit of financial planning processes – to review the different approaches being adopted across Scotland and their effectiveness including how savings are impact assessed and Council's exposure to risk.	HSCP
<ul style="list-style-type: none"> Workforce wellbeing Absence management, given the absence rates for teaching and non-teaching staff Progress being made with collaborative/collective leadership and how it is supporting the delivery of the National Performance Framework. 	Third sector/ other
Outcomes	
<i>Health and wellbeing related</i>	
Financial redress for historical child abuse should be on their radar over the next 5 years	Council
Given the importance of public health upon our communities and the opportunities afforded around reform and the whole systems approach to move this agenda forward it may be worth developing some further work in the later years of the programme.	Council
Alcohol and drug deaths - as a fairly significant issue which requires immediate, collective action across the spheres of government and across sectors.	Council
Given expected legislation in relation to Mental Health and Learning Disability it would be useful in the latter part of the programme to see an audit or briefing in relation to reductions in people being detained in hospital settings.	HSCP

Specific Care at Home audit – national review given pressures across Scotland exploring how we can continue to deliver the current care at home model given demand; budget pressure; recruitment challenges etc.	HSCP
Report on the impact of removing social care charging - assessing the cost of this for Partnerships?	HSCP
Review of SDS and Eligibility Criteria - what transferable lessons can be learned, should a standardised set of eligibility criteria be applied across Scotland?	HSCP
Workforce Planning for Social Care – similar to the recent workforce planning review for NHS staff, looking at availability of: <ul style="list-style-type: none"> • Care at Home staff. • Qualified Social Workers. • Workforce availability in the context of urban and rural IJB's • Viability of single bank across Scotland for sessional staff 	HSCP
There is also a growing financial pressure across children's services that might be worthwhile considering – specifically related to the extended responsibility to 24 years/ kinship care and residential and secure placements	HSCP
<i>Environmental</i>	
It would be useful to see briefing papers focussed on leading practice on how Councils are responding to the challenges of combating climate change and contributing to meeting the Scottish Government's emission reduction targets.	Council
We would welcome use of briefing papers and suggest that climate change and declarations of climate emergency, and how Councils have responded and how they are building this into planning and service and outcome delivery, may be a potential subject matter, possibly in advance of further detailed work at a later date. Will this also be factored into BVARs?	Council
Climate change - as a fairly significant issue which requires immediate, collective action across the spheres of government and across sectors.	Council
On climate change it would be useful to review the rationale for target setting in relation to emissions and to identify best practice that can be shared.	Council
Climate change, given it is a national 'hot topic' and a number of councils have declared climate emergencies. This could also include a focus on the wellbeing economy approach being promoted by Scottish Government	Third sector/ other
Missing area - councils' approach to the climate emergency. There is a conflict between their stated aims on tackling climate emergency and their commitment to local economic growth which often involves increasing car travel, just as one obvious example, and the rather dated planning regulations get in the way of promoting renewable energy (eg not being able to put solar panels on the roof of a listed building).	Third sector/ other
Propose the inclusion of sustainability, potential alongside the planned audit on waste management, and potentially a review of greenspace services as they link to the wider community empowerment agenda.	Council
At this stage that there is no specific planned activity relating to the Climate Change agenda, though appreciate that this may be contained within other areas already identified in the programme.	Council
<i>Economy and infrastructure related</i>	
It will be important that any transport services audit work takes cognisance of local, regional and national transport provision as well as the transport barriers frequently cited as challenges for local residents, including cost, availability and access to essential services and new capital developments, particularly for those on low income and in our most rural communities.	Council

Missing area - employability. The SG is currently reviewing the whole employability system, with a view to devolving as much as possible to councils (under the joint SG/COSLA implementation plan for No One Left Behind (2018). Yet there is a huge inconsistency across councils in their capacity to do this.	Third sector/ other
Suggest that the topic areas highlighted in your consultation document – such as planning, public transport, and public health reform, are included in the programme.	Council
<ul style="list-style-type: none"> • Focus on some of the challenges facing islands – e.g. depopulation and fragility • Tackling homelessness • Progress being made with the delivery of ‘no-one left behind – Next Steps for Employability Support’ 	Third sector/ other
The new Planning Act – implementation, effectiveness, capacity issues etc.	Council
<i>Inequalities and poverty</i>	
In tackling inequalities it may be useful to look at community infrastructure – I notice the commitment to transport strategies – this is crucial - along with IT / digital facilities in order to keep people connected; reduce isolation and loneliness; increase mental health and wellbeing. This should be for all ages	HSCP
I notice mention of child poverty and public health – these are core elements of the 9 national health and wellbeing outcomes for health and social care integration – it would be helpful if these “agendas” could be more joined up; they do not stand alone either in cause or solution. An asset-based approach to community engagement and participation may be productive	HSCP
<i>Community Empowerment</i>	
We would welcome opportunities to work with the Accounts Commission and Audit Scotland to share with you our Vibrant Communities approach in relation to this important area of work.	Council
Community empowerment – consultation and engagement and community use of local assets and resources is suggested without detail. We would welcome the opportunity to shape the scope of this, with consideration of the varying contexts, histories and community capacity across local authority areas. We would suggest any review includes both community investment strategies as well as asset transfers and also the development of social capital across councils and partner/third sector organisations.	Council
As we reach five years from introduction of the Community Empowerment (Scotland) Act it would be helpful to widen the focus from engagement to all areas covered by the legislation – such as allotments, participation requests and community asset transfer.	Council
Engagement with communities – high level of community engagement is now core business for HSCP’s - development of Strategic Commissioning Plans / establishment of Locality Planning Groups – this should be linked / tied in to all local authority, NHS and community planning activity with HSCP’s	HSCP
Progress being made with implementation of Place Principle / place-based collaboration and evidence of changed practices. This could build on the work the Accounts Commission are undertaking on Community Empowerment. It could also forge strong links into the fact that place collaboration is also part of the whole systems delivery of public health reform priorities. Re community empowerment, it will be important to focus on the quality of participation and not be bound by the process set out in legislation. It may also be helpful to consider the impact of PB on community empowerment, as it is being given prominence as a means of measuring effective community involvement in the democratic process and whilst it has its place, it cannot define the level of involvement in itself.	Third sector/ other

Other	
Further areas of risk which have not been referenced and may be of interest include cyber/fraud and procurement.	Council
EU withdrawal – impact on workforce capacity and planning; ability to deliver / ramp up services (e.g. regulatory services) Local impacts of the introduction of Universal Credit and wider welfare reforms	Third sector/ other
Demand Management – Councils like Wigan have had success in redefining the relationship between the Council and its citizens. The current financial environment means Councils cannot afford the current levels of demand in the medium term and on this basis we think this type of transformation work could be a topic for the helping Councils to improve reports Statutory Duties/Powers – we have recently undertaken some work to look at the range of statutory duties and powers relevant to Councils and the scope of this is vast. We wonder whether the full scale of those legislative duties is well enough understood at a national level and the extent to which this is considered in funding considerations by Government. We think there would be merit in some independent review work in this area. In Angus our concern for the future is not running out of money but reaching a position where the money available is simply not enough to allow us to fulfil all of our statutory duties. That risk appears not to be well understood and so may merit consideration as an area of work for the Commission.	Council
Policy and practice of data management, inter-operability of data and data sharing across public services.	Third sector/ other
Risk area 2 and its focus on the ability to deliver better outcomes noting the challenges of delivering in rural and island settings is also welcomed with some consideration given to the demographics in these areas.	HSCP
How are councils working with other partners (whether NHS, voluntary sector, uniformed services. For example, are councils' best efforts impeded by others / and is approach genuinely person-centred or outcomes-based?	Third sector/ other
Sees the transactional approach to procurement and commissioning as out of date and inappropriate for human services. (Council / SG poor practice reflected in TS contracts) <u>Blog</u> – contracting kindness	Third sector/ other
Views on timing of proposed programme	
We note the publication of 'Supporting economic growth - the role of local authorities' audit has been brought forward to mid-2020. This was a request we made in our response to the Accounts Commission's 2019-24 work programme consultation and we appreciate that this feedback has been taken on board. Economic development continues to be a key priority for the Council as we roll out our Economic Strategy and continue to progress our recently announced Rural Growth Deal.	Council
We note that the third health and social care integration performance audit is scheduled for 2023/24. This was originally scheduled for 2020/21 and we retain the concern we highlighted in our response to the Commission's 2019-24 work programme consultation that this results in an extended gap between the 'Health and social care integration' report issued in November 2018 and the next follow up. Given the key messages in the November 2018 report, in particular that it highlights required improvement in areas such as strategic planning, financial planning and partnership engagement we feel that a five year gap until the next follow up is excessive.	Council

We note the Waste Management audit scheduled to be published in late 2021. Given the Scottish Government's recent announcement to delay the ban on biodegradable municipal waste from being sent to landfill until 2025 we are of the opinion that this audit could be put back until either 2022 or 2023 to allow local authorities more time to prepare for the implementation of the ban. This would mean there is a more comprehensive body of evidence to inform the audit and it would also help identify good practice which could be adopted more widely.	Council
We note the proposed 2022/23 performance audit 'Replacing Structural Funds' and wonder whether it would be beneficial for this to be carried out earlier, possibly with reporting in 2021/22. This timing would depend on the outcome of the UK's withdrawal from the EU and greater clarity over the impact of this on EU funding.	Council
The third audit on Health and Social Care integration, which is planned for 2023/24, should allow sufficient time for progress to be made on the actions arising from the previous audits that are being progressed through the joint Scottish Government/ COSLA arrangements.	Council
The joint Waste Management performance audit is scheduled for winter 2021. We remain of the opinion that 2021/22 would be too early to examine the impact of readiness for the Biodegradable Municipal Waste (BMW) Landfill Ban, which takes effect from 1 January 2021, and presuming that this will form at least part of the scope of this exercise, it may be more appropriate to reschedule this work in following year.	Council
Appreciating the need to obtain information to inform the report, we would welcome consideration of earlier publication, particularly the financial overview report.	Council
The wider programme approach aligns well with our council's areas of focus moving forward and the policy areas of particular interest are: <ul style="list-style-type: none"> • Health and wellbeing - audit on social care sustainability in 2020/21 and the third performance audit for Health and Social Care. • Education and economy –audits planned for early years, education and those tackling social disadvantage and child poverty under health and wellbeing. In addition the City Deals performance audits. • Resources and infrastructure - audits relating to workforce planning post EU withdrawal, finance and digital as well as those audits referenced for housing and waste align well with ongoing and planned activity. 	Council
The proposed timings of the programme of work appears reasonable and, we consider, generally reflects current risks and issues.	Council
It may also be helpful to schedule community engagement work for later in the programme to link to learning from the upcoming pilots supporting phase two of the Local Governance Review	Council
We feel that the timings proposed in appendix 2 are suitable and reflect relative priority around key topic areas.	Council
The timing of the works appears reasonable.	Council
We think it could be helpful to bring forward the work on mental health. A number of LOIPs have concentrated on this theme and the work being undertaken by the Accounts Commission and Auditor General on mental health would help councils and CPPs who are seeking to engage with partners on this issue. There doesn't appear to be an ELC Expansion report beyond 2022. We would expect that from 2022 onwards, the flexibility for parents will really start to emerge so it might be worthwhile to re-visit the impact of Expansion beyond 2022.	Third sector/ other
We feel that the timings proposed are suitable and reflect relative priority around key topic areas	HSCP
No issues with proposed timings	HSCP

Timings –appear appropriate and I particularly welcome the setting of the audit into the sustainability of social care coming before the final review of integration of health and social care – this is welcome as the challenges of funding social care are fundamental in the success or otherwise of integrated models and sustainability of Integration Authorities.	HSCP
Comments on the Commission’s overall approach:	
The Council welcomes the opportunity to comment on the programme and supports the work of the Accounts Commission and the role it plays in supporting the delivery of public services.	Council
The proposed workplan (assuming that “affordable housing” examines the issue in the round, including demand for, and management of, associated homelessness services) looks comprehensive and captures issues of relevance to most, if not all, local authorities.	Council
There is a helpful reflection of the role of local government which is consistent with our internal reflections of our core roles, risks and challenges. There is the potential to reinforce the increasing need for Council's to delivery against Health priorities in the broader sense as well as being fundamental in the delivery of Scottish Government commitments and national performance framework. This seems to be captured later in the consultation but is worth reflecting upon.	Council
We continue to place great value on the broad range of audit work carried out across local government, including annual performance audits, the comprehensive audit work which is undertaken by the Accounts Commission, and the work that Audit Scotland carries out on behalf of the Commission. To ensure that we maximise opportunities for learning from the reports prepared and to inform improvement, those reports that directly affect the work of the Council, or would be of interest to Members, are routinely presented to the Council’s Governance and Scrutiny Committee and considered by the Executive Management Team. // the identified priorities include what I would consider to be the main challenges facing the wider local government community over this period,and will continue to bring additional value to our existing practice.	Council
There is a helpful reflection of the role of local government which is consistent with our internal reflections of our core roles, risks and challenges. There is the potential to reinforce the increasing need for Council's to delivery against Health priorities in the broader sense as well as being fundamental in the delivery of Scottish Government commitments and national performance framework. This seems to be captured later in the consultation but is worth reflecting upon.	Council
I found the information provided by you to be comprehensive and informative. It was also helpful to see the proposed audit work detailed in relation to the four broad risk areas Audit Scotland have identified. Following review we are supportive of the proposed work programme outlined and feel it reflects feedback provided during previous consultations regarding a wider ‘public service’ outcome focus.	Council
Our general observation is that on top of BVAR and other inspection regimes, with declining resource (as evidenced by the Commission’s Financial Overview 2018/19), this looks like quite an onerous agenda. // The level of information in the document makes it difficult to be specific (e.g. workforce Brexit issues are likely to be minimal for our council; Early Years I’m not sure what aspects you plan to cover and whether the proposed timescale is reasonable in relation to the delivery of the economic outcomes you might want to audit).	Council
The four broad risk areas under which the proposed programme is broken down seem sensible and the proposed provisional programme contains a series of reports on topics which seem relevant and of considerable interest to key stakeholders.	Council

It's useful to see the areas you plan to cover over the next few years and I believe the plan addresses the key areas for local government.	Council
Having consulted with colleagues I can confirm that the proposed programme of work appears to have value and is timely.	Council
The proposed programme is comprehensive. I think that social care sustainability and workforce planning are particularly critical areas for review.	Council
My view is that the programme is very comprehensive, with relevant and appropriate content and scheduling.	Council
We welcome the intention to give more prominence to community empowerment in the Commission's work because this relatively new legislation presents opportunities as well as challenges and we know from our engagement with a few other Councils that approaches across the country differ.	Council
Having reviewed and discussed the plan we have no comment to make at this time, although we would wish to be updated if there were any material changes to the plan as a result of the consultation process.	Council
We are broadly supportive of the proposed work programme outlined, especially with regards to the wider 'public service' outcome focus.	HSCP
Overall we believe that you are proposing a good range of topics, a number of which cover key human rights issues of specific interest to SHRC. Many of the proposed performance audits also have strong connections to the Sustainable Development Goals 2030 Agenda. With the proposed performance audits running alongside relevant timetables of national and local activity and the SDG agenda, we therefore feel that the proposed timetable of subject coverage is a sensible one.	Third sector/ other
The work programme is wide ranging examining many of the pertinent issues to the sector over the next five years	Council
As an observation, it might be helpful for the Accounts Commission to consider the main outcome areas covered by the 32 LOIPs to see how these align with its work plan, and if there are any significant gaps.	Third sector/ other
The Commission's reporting	
The Council welcomes both overview reports. In particular the continued publication of the financial overview as a separate output from the more general local government overview.	Council
The Council welcomes the 'How councils work' series and makes good use of the reports made available by the Accounts Commission. We note there are no confirmed topics for HCW reports between 202/21 and 2023/24 and we would like to draw your attention to the suggestion made above regarding a possible topic of service reviews within local authorities as an appropriate topic	Council
We support the principle of shorter, more targeted reports to inform an impartial assessment of current issues and preparedness affecting specific sectors.	Council
Welcome your proposal to make more use of your public briefing papers to update the public and stakeholders on issues affecting local government, including Scotland's new devolved powers.	Council

<p>Overview Reports - It is helpful to have separate financial and general local government reports that can be used by officers and shared with Elected Members. Appreciating the need to obtain information to inform the report, we would welcome consideration of earlier publication, particularly the financial overview report.</p> <p>How Councils Work Series - The series is valuable. We note that areas to be covered are undefined and that risk management is suggested as a potential subject matter. We would welcome further detail as proposals emerge and would be happy to engage to further to understand and shape how this would go beyond the coverage of risk management in the annual audit and BVAR processes.</p> <p>The consultation refers to Overview reports reflecting significant issues arising from the annual audit of Councils, including the audit of BV – we would welcome a report or briefing paper collating areas of good and best practices and useful case studies identified in BVARs under each of the BVAR themes</p>	Council
<p>We as an organisation have found the 'How Councils Work' series to be a useful local resource in the past and would be keen to see this approach continued and further developed. The model works well as central collation of topics and guides allows for consistency of message while local approaches can be taken to the cascade and training of specific guides and topics. We are also supportive of your commitment to increased use of the public briefing paper model, as this also allows a wider cascade and understanding of topics to be developed.</p>	Council
<p>We would strongly support the greater use of briefing papers which seem to provide the opportunity for sharing of good practice informed by auditor judgements and which enables the audit function to achieve potentially significant impacts without the resource implications and 'asks' on audited bodies which engagement with performance audits can sometimes impose.</p>	Council
<p>In general terms, I would support the evolving nature of the local government overview reports which I think have provided a balanced view of the performance and challenges facing local government in Scotland.</p> <p>Welcome the more flexible use of your powers to produce briefing papers to update stakeholders as it often important to produce such papers in a timeous and easily accessible format.</p>	Council
<p>We welcome the proposed breadth of topics included in the work plan. The annual overview reports are very helpful and these are also a useful guide for elected members, so it is good to see that these are continuing.</p>	Council
The Commission's approach to auditing	
<p>The Council is supportive of the revised approach to auditing Best Value and, in particular, on the greater focus on output over process and increased emphasis on the Council's own processes for self-assessment. Our best value review is currently in progress and we would be happy to engage with the Accounts Commission in 2022/23 at to help inform the process for the new cycle commencing in 2023/24. In particular it would be helpful if the programme for the new cycle could be provided at the outset.</p>	Council
<p>With regard to the proposed joint work in respect of self-directed support, it would be helpful to acknowledge that our Health and Social Care Partnership was included in the initial work and also selected as one of six thematic inspection partnership areas; therefore, we would anticipate that the follow-up would be respectful of this and proportionate.</p>	Council

<p>The idea of staged audits is creative; this should be more able to give a view on a changing rather than static position this which is something the criticism of audits. There is a potential argument that the programme could be fixed and over a longer period of time to provide a more concrete indication of the likely future topics.</p> <p>Given the volume of anticipated outputs it is sometimes challenging to discharge these through the Committee system and give them suitable profile.</p> <p>There were limited increases in fees this year which was welcomed and we recognise staffing costs as the key item of expenditure with pay uplifts being the core driver.</p>	Council
<p>The consultation provides a useful insight into the priorities of the Commission. General Points / Observations - The tabular format of last year's consultation provided a clear snapshot of all of the proposed reviews across the various types e.g. performance audit, impact reports etc., alongside proposed timescales. Last year's consultation also helpfully listed proposed work of the AGS in addition to AC/joint with AGS reviews.</p> <p>The work programme is consistent and many of the Council's previous comments stand. Responses to last year's consultation were published as part of the Accounts Commission meeting papers – although we note that the responses were not published in full/verbatim.</p>	Council
<p>Given the Council's involvement and work across the areas in the programme, we anticipate potential for involvement in a number of the planned reviews. Advance notice of planned activity in each year would allow us to plan accordingly to ensure appropriate capacity to fully engage and respond.</p>	Council
<p>The consultation references sustainability of high quality public services. We support this and welcome consideration of the need to sustain service provision within the context of economic and financial challenges. While understanding the intention of this statement, we have welcomed the Commission's statements in the past which address the complexity of the pressures on local government as set out in the Local Government in Scotland Challenges and Performance Report 2019 which considered the ways in which councils are responding to increasing demand and reduced funding. It would be helpful if some of the statements in that report can be used in the introduction to this work programme to provide a clearer context.</p>	Council
<p>We look forward to receiving further information regarding the progress on the strategic developments being taken forward in respect of how the Commission and Auditor General will deliver public audit in Scotland over the next five-years and the review of the audit of Best Value in councils. // We also look forward to receiving an update in respect of the planned 'How Council's Work' series of reports.</p>	Council
<p>The proposed programme seems to ensure that work in similar policy areas (e.g. proposed work on educational outcomes and outcomes for children with ASN OR proposed work on City Deals, EU withdrawal, the role of LAs in supporting economic growth and replacement of European Funds) is spaced out, but we would ask that the Controller of Audit is mindful of ensuring that this 'spacing' is maintained as these audits are delivered and/or avoids undertaking substantive work on different audits in the same council areas, to ensure management teams in particular functions are not overly burdened.</p>	Council
<p>It would be helpful to have further clarity around the scope of work planned for later years as soon as this becomes available. We appreciate the reasoning behind the scope and timing of work in the latter part of the programme being less clearly defined but an indicative outline would allow us to provide further feedback and prepare for the planned audit work in these areas.</p> <p>We would welcome the opportunity to contribute to the development of the focus and output of relevant audit areas in due course. For each of the audits we would support any approach that delivers the most added-value output particularly in areas of significant risk or where new service delivery models are being established.</p>	Council

<p>The Accounts Commission has expressed a welcome willingness in recent years to embed human rights and equalities in the way that it works and through its audits. The proposed Work Programme 2020-2025 offers a timely opportunity to embed systematically a human rights based approach to the Commission's audit work. We would be pleased to discuss how we can be of further assistance in this process.</p>	<p>Third sector/ other</p>
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MEETING: 9 JANUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

AUDIT SCOTLAND COMMUNICATIONS AND ENGAGEMENT STRATEGY

Purpose

1. This paper updates the Commission on Audit Scotland's communications and engagement strategy for 2020-23.

Background

2. Audit Scotland delivers communications on behalf of the Accounts Commission, Auditor General for Scotland and for Audit Scotland as a corporate entity.
3. Following the Commission meeting in September, members took part in a 'workshop' session with Audit Scotland's Communications Manager, Simon Ebbett, on communications priorities and activities. At that event, he advised that the communications and media environment is dynamic and rapidly evolving, and the political and public service context is volatile. To continue achieving awareness and impact for the Commission's work, we need to ensure our communications approaches remain relevant and effective, and that we maintain and build on our reputation for independent, robust audit and high quality communications.
4. He advised that the current Audit Scotland communications and engagement strategy was due to be refreshed. During 2019, the Audit Scotland Communications Team took this opportunity to lead a fundamental review of Audit Scotland's approaches to communications and engagement. This included internal consultation, external advice and research, and engagement. The workshop session was part of this engagement.
5. Communications by Audit Scotland on behalf of the Commission must reflect and promote the Commission's plans and priorities. To this end, the Audit Scotland communication strategy has been developed alongside the Commission's existing Strategy and supporting Engagement Strategy, and in consultation with the Commission support team and relevant Audit Scotland staff ensuring co-ordination with the forthcoming updating of the Commission's own strategy, which the Commission will consider at its March meeting.

Audit Scotland communications and engagement strategy, 2020-23

6. The revised Audit Scotland communications and engagement strategy attached in the Appendix describes the context for Audit Scotland's communications and engagement, and the strategy's objectives, pillars and workstreams.
7. The Audit Scotland board, of which the Commission Chair is a member, approved this strategy at its 28 January meeting.
8. As part of a current internal audit of the Audit Scotland communications function, BDO are reviewing its monitoring processes and will shortly make specific recommendations to Audit Scotland on how to best support the new strategy.
9. Simon Ebbett is present at today's meeting to discuss the strategy.

Implementation

10. The strategy is supported by an activation plan for the six strands of implementation detailed within, namely: planning and scoping; engagement; outputs and products; dissemination; measuring effectiveness; and learning and development. The Communications Manager is also reviewing the resilience and capacity of the team in order to manage process and resource implications.

Recommendation

11. The Commission is invited to note the attached Audit Scotland communications and engagement strategy.

Paul Reilly
Secretary to Accounts Commission
31 January 2020

AUDIT SCOTLAND COMMUNICATIONS STRATEGY

See separate paper

Communications & Engagement Strategy

2020-23



January 2020

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Introduction

1. Audit Scotland has a vision to be a world-class audit organisation that improves the use of public money. Communicating and engaging effectively with the wide range of stakeholders affected by and interested in our work is key to supporting this overarching goal.
2. This means communicating our audit work in a clear, accurate and appropriate way to our diverse audiences, and having effective and collaborative conversations with stakeholders.
3. We report on our work in public through a wide range of products, including annual audit reports, performance audit and Best Value reports for Auditor General and Accounts Commission, and briefings on matters of public interest.
4. Effective communications and engagement help us:
 - focus on the right priorities
 - ensure our work has an impact
 - safeguard our independence and reputation.
5. To achieve this, we need to ensure we are reaching the people affected by our work and helping them understand and benefit from it, as well as using what they tell us to inform what we do and how we do it. We can increase our impact by making more of the range of work we do and the breadth of our view of public services in Scotland.
6. Our reputation for independent, evidence-based and robust audit, and the reputation of public audit more widely, is crucial to our work being received, trusted and acted on. Thus, our communications and engagement need to emphasise, position and reinforce the strengths of the Scottish model of public audit, and our independence, reliability and quality.
7. This strategy sets out our current approach to achieving the above as well as the developments we will make over the period of the strategy to enhance our positioning, reputation and resonance, and to respond to the dynamic environment in which we operate.
8. This strategy complements Public Audit in Scotland, a joint statement underpinning public audit in Scotland, and our 2019-22 Corporate Plan. The Accounts Commission has its own strategy, which this document supports. At the time of drafting, we are developing a new Code of Audit Practice for 2020 to 2025. This strategy has been drafted alongside the new code.

Our stakeholders

9. Audit Scotland exists to support the Auditor General for Scotland and the Accounts Commission. This strategy describes how we will deliver communications and engagement on their behalf, and our organisational corporate and internal communications requirements.
10. As well as the AGS, Accounts Commission and Audit Scotland colleagues, we have a wide range of stakeholders across Scottish life (see Exhibit One).

- 11. The 'Public' represents the people who use, work for and pay for Scotland's public services. Key to effectively communicating and engaging with them is recognising that they comprise diverse, heterogenous audiences that communicate in different ways.



Exhibit One: Audit Scotland's external stakeholders

The communications and media environment

12. The past decade has seen significant changes in how people receive, understand and share information. The emergence and rise to pre-eminence of social media, digital platforms and on-demand video streaming has altered the behaviour of individuals and communities, as well as how organisations reach audiences and disseminate information. Audit Scotland has adapted and developed our communications approaches in response, and we will need to continue to do so as technology and online communication platforms evolve.
13. Reading, listening and viewing of traditional media have declined. The number of professional journalists has reduced substantially, as has the time available for media to find, research and produce informed work. Our communications must provide journalists with relevant, reliable and accessible information in order to maximise coverage.
14. People increasingly either search for or receive news limited to their active range of interests and the issues that matter to them. At the same time, the ability of media outlets to produce and disseminate 'public interest' news has diminished. To ensure people understand how their public service are performing, and how our work can benefit them, we need to ensure our messages resonate with the issues of importance to them.
15. The proliferation of digital communications platforms and smartphone usage has led to people consuming information in short, simple and increasingly visual forms, with growing demand for interactive content they can tailor to their own interests and needs. We will need to continue developing our approach to visual communications, data interpretation and interactivity.

The political and public service context

16. Public services face increasing demand and financial pressure. Scotland also has significant new financial powers, a new fiscal framework, and social security powers affecting a wide range of people, including the most vulnerable. There is an opportunity for Audit Scotland to demonstrate its ability to explain this context to service users and inform decision-making.
17. The domestic and international political environment has been and continues to be volatile, following the 2016 vote to leave the European Union and the continuing debate over Scotland's constitutional future. Research has shown declining trust in institutions, the political process and the media. Our communications and engagement can position Audit Scotland as an independent source of reliable information and a trusted guide and commentator.
18. The audit industry has also faced reputational pressures due to high profile corporate issues and subsequent reviews. Our communications should emphasise the strength and robustness of Scotland's public audit model, and our independence, reliability, integrity and quality.

Strategic approach

Objectives and strategic pillars

- 19. There are five overarching objectives of the Communications and Engagement Strategy 2020-23, aimed at addressing the issues and context discussed in the introduction. These are supported by five 'pillars' of our strategic approach to communications and engagement.
- 20. Exhibit Two shows our objectives, pillars and supporting workstreams. More explanation about each pillar follows.

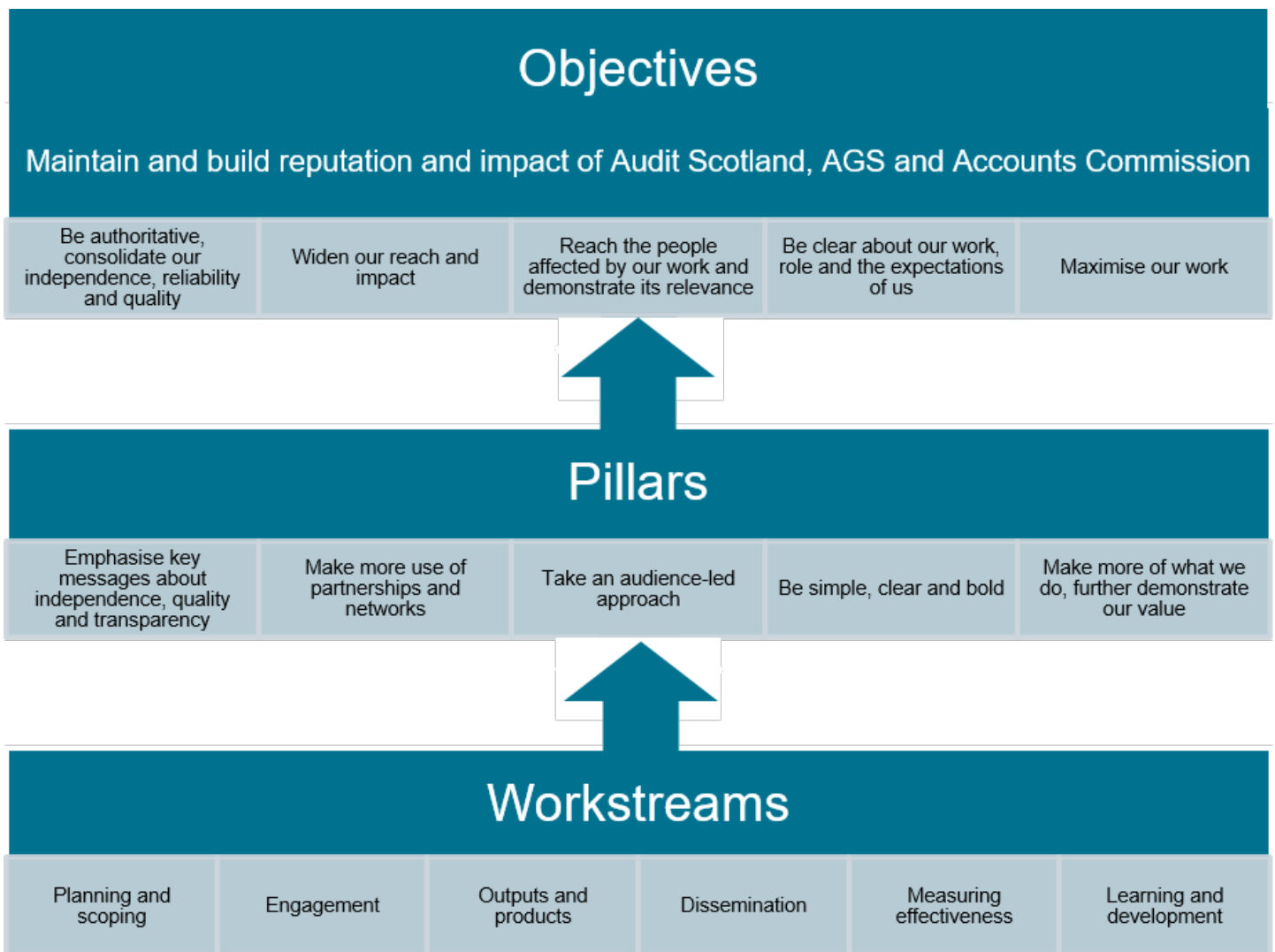


Exhibit Two: Objectives, strategic pillars and workstreams

Emphasise key messages about independence, quality and transparency

21. We will weave core corporate messaging about our independence, reliability and high quality throughout our communications and engagement activities, both proactively and reactively.
22. We will showcase the Scottish model of public audit when appropriate and through a variety of mediums, and promote the new Code of Audit Practice. We will emphasise its safeguards for independence and objectivity, strengthening Audit Scotland's positioning and value.
23. We will continue to be open and transparent in all we do, modelling the behaviours and reputation that we seek to promote. We will also do more to explain our role and work to increase clarity, manage stakeholders' expectations and emphasise our value and benefit to public bodies and service users.

Make more use of partnerships and networks

24. We can make more of other organisations' expertise and experience to help us better understand the subjects we audit and our audiences. This will mean making more of existing relationships and networks, and building new ones. This will help prioritise and focus our work so it addresses the salient issues, increasing its value and impact and supporting our position as an authoritative and trusted commentator.
25. Many niche audiences already engage with other organisations but are unlikely to engage with an audit institution. Partners can help us disseminate our messages and outputs, increasing our reach and build our authority with those audiences through our association with bodies they already trust.
26. This will include learning from the third sector about 'hard-to-reach' and vulnerable audiences. This will increase our internal skills and capacity, and help us reach the people most affected by the services we audit but least likely to engage with them or us.

Take an audience-led approach

27. We will more systematically identify the specific audiences for our audits. From this we can research, engage with and better understand them in order to ensure our work covers the relevant issues, we can communicate them effectively and we maximise our impact.
28. This includes identifying when there is a 'general' audience or a niche or specific audience who require a more bespoke approach. This would include tailored outputs, aligning our messages with the audience's issues of interest and disseminating via the channels they already use. This will help us widen our impact and to reach people who are affected by our work and the issues we cover but may not otherwise engage with us.
29. We will emphasise quality over quantity, allocating resources to bespoke approaches only when it will achieve a clear and significant impact. In our planning and our engagement, we will be clear in the responses and reactions we seek, in order to increase impact.

Be simple, clear and bold

30. Simple, clear and unambiguous messages and language will help cut through the considerable 'noise' in the wider environment and engage audiences who have competing demands for their attention. Clarity about the key issues and expected responses could reinforce our reputation for being authoritative and straight-forward, and manage expectations.
31. We will be bold and creative, creating new products and approaches to better reach audiences and reinforce our findings and messages. We have done much work recently in developing our design, animation and video approaches; as technology develops and audience behaviours change, we will need to continue to adapt and innovate in order to continue reaching people and having impact, as well as maintaining our reputation for quality. Part of innovation is accepting that some experiments may not work. We will review all projects for lessons learned.
32. To be clear, authoritative and reliable, our voice needs to be human and authentic. This includes our language, and using more of our colleagues as faces of the organisation. A more human connection will build engagement and trust and help showcase our colleagues' skills, knowledge and commitment. This will help our impact and our positioning.

Maximise our work

33. Every year we carry out audits of about 220 public bodies and produce around 800 audit reports, more than 200 risk assessments and 20 sector overview, performance audit and Best Value assurance reports.
34. We will work to extend the life of our audits beyond publication and initial publicity to increase their reach and potential impact. We will also show the range of our work and expertise to further demonstrate our value and promote better understanding of our role and work.
35. Audit provides assurance about good performance as well as highlighting areas for improvement. In order to promote better understanding of our work and to provide value to the Scottish public and decision-makers, we will promote our annual audit work more systematically and widely and share best practice across the public sector.
36. To reach the appropriate stakeholders and audiences and disseminate our work, we will engage more widely and develop new approaches to engagement. This includes being clearer with people about how our work can benefit them, to show our value, maximise impact, reach the people affected by the issues we investigate, and consolidate our reputation for valuable, high quality audit.

Implementation

37. This strategy is supported by an activation plan detailing actions, roles and responsibilities and timescales for implementation and monitoring. These are categorised into the six supporting workstreams outlined in Exhibit Two (page 6). Key actions in each workstream are listed below.

Planning and scoping

38. Introduce earlier and more comprehensive multi-disciplinary communications planning on both the annual audit and performance audit programmes. This is to aid audience identification and analysis, development of outputs and strategies for individual audits, and timelines and roles.
39. Review our communications function to ensure that it is appropriately resourced and structured, and improve the overarching coordination of communications projects and strands.

Engagement

40. Continue our current stakeholder engagement programmes, including supporting and developing Parliamentary engagement and the Accounts Commission's programme.
41. Make more use of existing networks and widen our engagement to capture more organisations and audiences that are either affected by our work or working with those who are. This includes consulting more closely with the third sector.

Outputs and products

42. Work across the organisation to review and develop our products and messaging, including working with audiences when appropriate to advise and co-create in production.
43. Significantly develop our infographic, video, animation, audio and digital content. Simplify and, where appropriate, restructure, redesign and replace core products to make it easier to digest and understand our messages.

Dissemination

44. Develop our dissemination methods to be more flexible, up-to-date and audience-appropriate, including taking a more case-by-case approach and lengthening the timeframes of our publicity and marketing activities for audits. Weave core corporate messaging through our work where appropriate.
45. Maintain an effective presence on the main social media platforms. Review the effectiveness of our social media approach and identify where we can improve.

Measuring effectiveness

46. Continue our current monitoring processes, including our weekly correspondence reports, monthly reports to Management Team and quarterly performance reporting, as well as impact reports and project reviews.
47. Further develop our monitoring, including considering whether new measures or workstreams are needed, whether to widen our external engagement, and change expectations and understanding about what constitutes impact and good or poor performance.

Learning and development

48. Review our skills and experience to ensure we have the resources and skill-mix required, and to prioritise our L&D activities to meet current and future demands.
49. Work across the organisation to identify the L&D needs within other business groups to support the delivery of this strategy. This includes the Communications team leading on delivering and supporting L&D in other business groups.

Appendix

Resources

The Communications Team leads Audit Scotland's communications and engagement.

The Communications budget for 2019/20 is £643.5k.

Exhibit Three shows the communications structure and WTE resources.

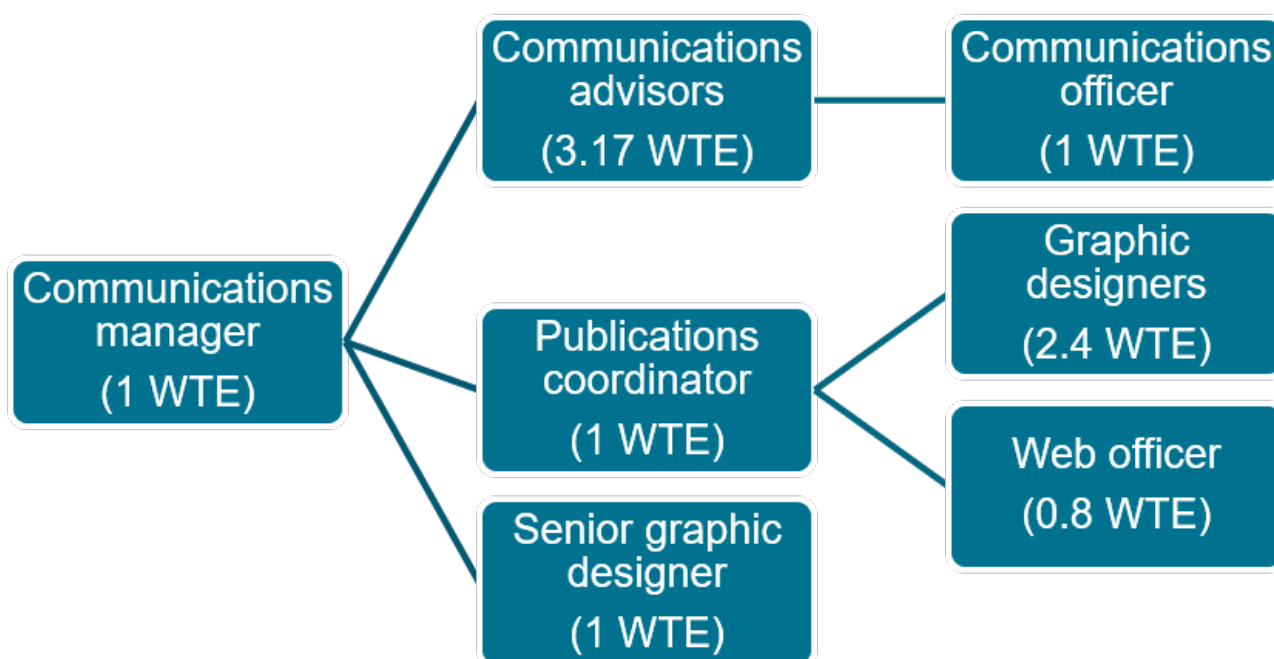


Exhibit Three: Communications team and WTE resources

Current activity

Exhibit Four shows media, parliamentary, social media and digital activity about our organisation and our work for 2019 and correspondence we received.

Measure	Annual total
Media coverage (up to 31 Oct)	Press (national): 128 Press local (local and specialist): 372 Broadcast: 269
Parliamentary activity	Committee appearances: 26 PQ mentions: 21 Committee mentions: 228 FMQ mentions: 16
Social media followers	Twitter: 3,869 Facebook: 438 Linkedin: 2,484
Social media engagement	Twitter: 8,365 Facebook: 843 Linkedin: 3,568
Website (up to 31 Oct)	Downloads: 356,423
Correspondence	233 items

Exhibit Four: media, parliamentary, social media and correspondence

Strategy development

This strategy has been developed through consultation and engagement with several stakeholders and through in-house research.

Consultation and engagement has taken place with:

- the Auditor General for Scotland
- the Accounts Commission for Scotland
- the Audit Scotland Board
- the Audit Scotland Management Team
- consultation groups representing Audit Scotland's three business groups
- the Audit Scotland Communication Team
- Communications counterparts at the National Audit Office, Wales Audit Office and Northern Ireland Audit Office
- the wider communications and marketing industry, in particular The Gate agency in Edinburgh.

It was supported through research workstreams on:

- social media
- publications and formats
- data and design
- the Scottish public sector.

MEETING: 6 FEBRUARY 2020

REPORT BY: SECRETARY TO THE COMMISSION

STATUTORY REPORT: FIFE INTEGRATION JOINT BOARD

Purpose

1. The purpose of this paper is to introduce for the Commission's consideration the Controller of Audit's Statutory Report on a matter arising from the 2018/19 audit of Fife Integration Joint Board.

The Controller of Audit report

2. The attached statutory report is made by the Controller of Audit on matters arising from the 2018/19 audit of Fife Integration Joint Board ('the Board'). The auditor has issued an unqualified opinion on the Board's financial statements for 2018/19, but has identified significant issues in the wider audit dimensions under the Code, several which have been ongoing and are of wider relevance to the sector.
3. This report is made by the Controller of Audit to the Commission under section 102(1) of the Local Government (Scotland) Act 1973 (as amended by subsequent legislation including the Local Government in Scotland Act 2003).
4. The legislation enables the Controller of Audit to make reports to the Commission with respect to:
 - the accounts of local authorities audited under the Act;
 - any matters arising from the accounts of any of those authorities or from the auditing of those accounts being matters that the Controller considers should be considered by the local authority or brought to the attention of the public; and
 - the performance by a local authority of their statutory duties in relation to best value and community planning.
5. A copy of the report is being sent to the Board, which is obliged to supply a copy to each elected member of the Board and to make additional copies available for public inspection. Once the Controller of Audit's report is sent to the Board it is effectively in the public domain.

Procedure

6. The legislation provides that, on receipt of a Controller of Audit report, the Commission may do, in any order, all or any of the following, or none of them:
 - direct the Controller of Audit to carry out further investigations
 - hold a hearing
 - state its findings.
7. Findings may include recommendations and the persons to whom those recommendations may be made include Scottish Ministers, who have powers to make

an enforcement direction requiring an authority to take such action as is specified in the direction.

8. Members of the audit team will be present at the Commission's meeting and will be available to answer questions on the evidence and judgements presented in the report. This is done in the public part of the Commission meeting.
9. The Commission is then expected to consider in private how it wishes to proceed. Subsequently, the Commission is obliged by statute to inform the Board of its decision, which the Commission does before making the decision public.

Conclusion

10. The Commission is invited to:
 - a) consider the Controller of Audit's Statutory Report on a matter arising from the 2018/19 audit of Fife Integration Joint Board; and
 - b) decide in private how it wishes to proceed.

Paul Reilly
Secretary to the Commission
29 January 2020

The 2018/19 audit of Fife Integration Joint Board

Report on significant findings

ACCOUNTS COMMISSION 

Prepared for the Accounts Commission
Made under section 102(1) of the Local Government (Scotland) Act 1973
6 February 2020

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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Background

1. The Code of Audit Practice (the Code) requires auditors at the conclusion of each year's audit to produce a report summarising the significant matters arising from the audit. For integration joint boards (IJBs) these reports are addressed to the members of the Board and to the Controller of Audit.
2. I have received the annual audit report for Fife Integration Joint Board for 2018/19. The auditor has issued an unqualified opinion on the financial statements for 2018/19, but has identified significant issues in the wider audit dimensions under the Code, several which have been ongoing and are of wider relevance to the sector.
3. I submit this report under section 102(1) of the Local Government (Scotland) Act 1973 as a matter that the Controller of Audit considers should be brought to the Commission's attention.

Annual audit report 2018/19

4. The auditor's annual audit report was considered by the IJB on 24 September 2019. The report has also been published on Audit Scotland's website. The annual audit report is included at Appendix 1.
5. I would draw the Commission's attention to the following points raised by the auditor in their report:

Financial management and financial sustainability concerns

- Financial management arrangements need to be strengthened and the quality of financial reports to members improved. 2018/19 was the first year of the three-year financial recovery plan agreed with the partner bodies. Throughout the year, finance reports showed the planned in-year deficit of £4.5 million was not going to be delivered and a deficit of between £9 and £11 million was the likely outcome. Recovery actions did not identify the required level of savings or actions to reduce expenditure to address the overspend.
- The IJB approached the Scottish Government for help with the development of a financial plan and a turnaround consultant report was commissioned. The report was given to the Senior Leadership Team of the Health and Social Care Partnership in November 2018 but only provided to the Finance & Performance Committee in March 2019.
- One of the key recommendations of the turnaround consultant was the introduction of a "Grip and Control Framework". This was presented as the main source of savings in the second financial recovery plan considered by the Board in December 2018. Implementation was delayed until January 2019 and there is little evidence that the process implemented from January resulted in any savings or restriction of any expenditure, before the financial year-end.
- Board members raised concerns about the lack of information available to them following the turnaround consultant's report and requested an action plan. Officers prepared a

response to a selection of the points flagged but members sought responses to all the points raised by the consultant.

- There was an underlying overspend in 2018/19 of £9.3 million (almost 2% of budget), met by additional contributions from Fife Council and NHS Fife, to give an overall breakeven position for the year. The integration scheme includes a risk-share arrangement to deal with overspends and these are met 72% by the NHS Fife and 28% by Fife Council, regardless of which area of the budget incurred overspend.
- This is the third year of significant annual financial deficits, which have been met by additional year-end contributions from partners. (2016/17 = £9.3 million, 2017/18 = £8.8 million, 2018/19 = £9.3 million). In the first two years the overspend occurred mainly in the NHS areas of the budget and Fife Council made payments to NHS Fife representing its share of the risk arrangement. In 2018/19 the overspend occurred in Social Care services and NHS Fife made a payment to Fife Council under the risk share arrangement.
- The IJB approved a financial strategy which required a breakeven position over a 3 year period. However, the year 1 target for 2018/19 was not met. The IJB still has no long-term financial plan in place.
- The IJB is not financially sustainable: it has no reserves and continues to be dependent on additional year-end funding from partner bodies to meet overspends.

Good governance and management arrangements are not embedded

- More work is needed to ensure partners' roles and responsibilities are clear. There have been discussions at some committee meetings about who is responsible for decision making and whether decisions should be remitted to the IJB or partner body.
- There have been significant changes in the IJB leadership team with three Chief Officers and four Chief Finance Officers since the IJB became operational on 1 April 2016.

Transformation and best value arrangements have been slow to develop

- In 2019, the Ministerial Strategic Group for Health and Community Care published a report on progress with integration and proposals for ensuring the success of integration.
¹ The IJB completed a self-assessment of progress against these proposals, which showed limited progress with only 8 of the 22 proposals identified as "established".
- The IJB is still in the process of introducing a best value performance management framework.

Context

Fife IJB is not the only Integration Joint Board facing significant challenges

6. The Local Government in Scotland Financial Overview 2018/19, published by the Accounts Commission in December 2019, reports that:

¹ This is a key strategic group covering transformational change in health and community care in Scotland- <https://www.gov.scot/groups/ministerial-strategic-group-for-health-and-community-care/>

- A majority of IJBs struggled to achieve break-even in 2018/19, and a number failed to deliver their planned savings in 2018/19. Without additional funding, 19 IJBs would have recorded deficits.
- Medium-term financial planning is improving but no IJB had a financial plan that extended for more than five years. 26 IJBs now carry reserves to help to meet future commitments and pressures, but the levels vary significantly.
- Auditors identified a total estimated funding gap across IJBs of £208 million for 2019/20, representing 2.5 per cent of total income.
- The pace of progress with integration has been too slow, and there is limited evidence of a significant shift in spending and services from acute hospitals to the community.
- A third of senior staff have changed during 2018/19, which may have an impact on capacity and pace of progress.

Developments since the annual audit report

Some recent progress has been made by the IJB

7. The IJB has made some progress since the annual audit report was finalised in September 2019:
 - permanent appointments have been made to the posts of Chief Officer (October 2019) and Chief Finance Officer (June 2019)
 - the Chief Officer is receiving support from the Scottish Government's Director of Delivery of Health and Social Care Integration.
 - development workshops have been held with board members and officers on financial management and governance
 - a review of the integration scheme has been initiated which will include consideration of the governance arrangements and will be concluded in 2020
 - an integrated transformation board has been created, consisting of the chief officer of the IJB along with the chief executives of the council and NHS board
 - a revised and updated medium term financial strategy is in development, which will identify savings options for closing the forecast funding gaps and should be in place to inform budget setting for the period 2020/21-2022/23
 - a new performance management framework is being introduced in 2020 to support best value, with the draft framework submitted to the Board in December 2019
 - a new Strategic Plan was approved in September 2019 covering the 3 years until 2022
 - new arrangements for out of hours services have begun to be phased in
 - 'Total Mobile' the councils digital rostering system has now been rolled out to external service providers, representing progress with digital transformation.

Financial projections for 2019/20 show that an overspend of £10.1 million is expected

8. The latest forecast of expenditure for 2019/20 (based on information to the end of September) shows an expected overspend of £3.5m. This is in addition to the £6.6m for which savings had not been identified when the budget was set. The total effect is a projected underlying deficit of £10.1 million (1.9% of total budgeted expenditure).

Conclusions

9. Fife IJB is not alone in facing challenges with integration and transformation of health and social care. However, it is clear from the annual audit report for 2018/19 that progress at Fife has been slow and that there are ongoing issues with financial sustainability.
10. There is some positive progress following the appointment of a new Chief Officer and Chief Finance Officer. Completing the revised medium-term financial strategy should be a key priority for the Board, alongside the review of the integration scheme and developing a shared understanding of the respective roles of the key partners.
11. An ongoing process of building collaborative leadership and relationships will be needed to ensure the scale and pace of progress improves at Fife IJB. Significant short and medium-term financial issues are likely to remain until transformation of services can be achieved. It will be necessary for the IJB to be clear in its approach and to focus on changes that deliver savings to get the Board onto a more sustainable footing.
12. I invite the Commission to consider the auditor's findings.

Appendix A - Fife Integration Joint Board 2018/19 Annual Audit Report

See next page

Fife Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

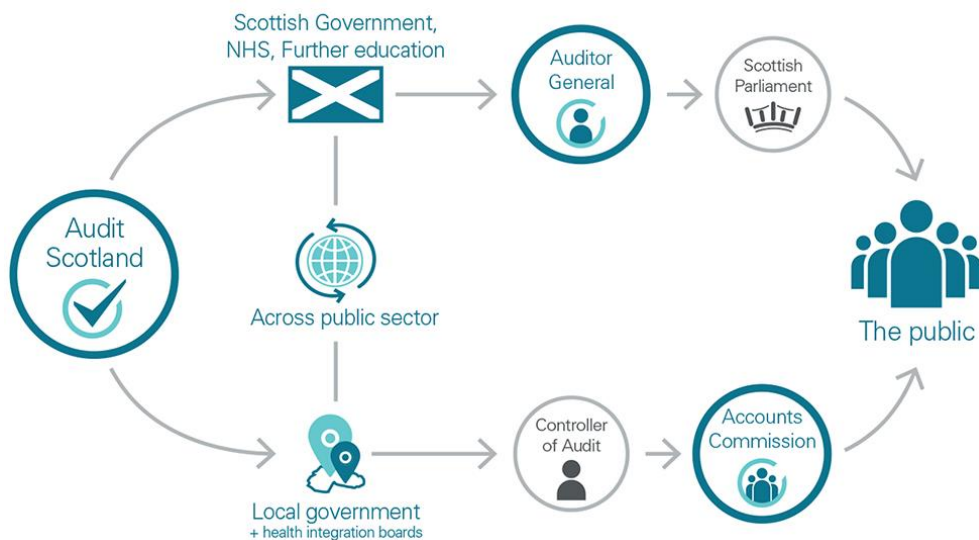
Prepared for Fife Integration Joint Board and the Controller of Audit

25 September 2019

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2018/19 annual report and accounts

- 1 Our audit opinions were all unqualified.
- 2 The unaudited accounts were not published on time

Financial management and sustainability

- 3 Financial management arrangements need be strengthened to support effective scrutiny. A “turnaround” consultant report covering financial management appears to have had little effect.
- 4 The IJB did not set a balanced budget in 2018/19 and was unable to deliver the planned £4.5 million overspend. The year end outturn was a deficit of £9.3 million, with savings not being achieved in full. The deficit was again met by the partners resulting in year end “break-even”
- 5 The IJB is not financially sustainable and continues to be dependent on additional year-end funding from NHS Fife and Fife Council.
- 6 The IJB does not have a long term financial plan

Governance, transparency and value for money

- 7 Action has been taken to clarify governance arrangements, but more work is needed to ensure partners roles and responsibilities are clear.
- 8 There have been significant changes in the IJB leadership team
- 9 The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report and has implemented relatively few of the recommendations
- 10 A best value framework will be adopted from 2019/20
- 11 The annual performance report did not include up to date national performance indicators and we were unable to assess whether performance had improved in the year.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of Fife Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 22 March 2019. This report comprises the findings from our audit of the IJB's annual accounts and consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

Adding value through the audit

3. We add value to the IJB, through audit, by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
4. We aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. The IJB has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £27,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
12. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
13. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts



Main judgements

Our audit opinions were all unqualified.

The unaudited accounts were not published on time

Partner contributions were misstated in the unaudited financial statements

Our audit opinions on the annual accounts are all unqualified.

14. The annual accounts for the year ended 31 March 2019 were approved by the board on 24 September 2019. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

15. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

Annual accounts were submitted on time and the audit was well-supported

16. We received the unaudited annual accounts on 24 June 2019 in line with our agreed audit timetable. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

We identified and addressed risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

18. We have reported a number of issues from our work on the wider dimension risk highlighted in our 2018/19 Annual Audit Plan. These are included in the action plan at [Appendix 1](#).

Our materiality values were unchanged from our plans

19. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. On receipt of the annual report and accounts we reviewed our planning materiality and concluded that, no changes to the planning materiality levels were needed. These are summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£5.7 million
Performance materiality	£3.4 million
Reporting threshold	£150,000


Source: Audit Scotland, 2018/19 Annual Audit Plan

Significant findings from the audit in accordance with ISA 260

- 20.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.
- 21.** The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan at [Appendix 1](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1 Publication of unaudited accounts</p> <p>Local Authority Accounts (Scotland) Regulations 2014, regulation 8 states:</p> <p>“The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.”</p> <p>The unaudited accounts were submitted to us on 24 June 2019 but were not put on the website at that date.</p>	<p>We raised this with the Chief Finance Officer on 9 July 2019 and the accounts were not on the website until the end of July, but they were available at Fife House, as advertised. This did not impact on the objection period, which ended on 22 July.</p> <p> Recommendation 1 b/f (refer Appendix 1, action plan)</p>
<p>2. Miscoding of partner funding</p> <p>Note 9 to the annual accounts sets out the transactions between the IJB and its partner organisations (Fife Council and NHS Fife). Audit testing identified the year end payment from NHS Fife of £6.975 million, was deducted from their contribution instead of being added on. It was added to the Fife Council contribution in error.</p>	<p>An amendment was made to the audited accounts to correct this error. Net effect was to increase the “net transactions with partner organisations” figure shown in Note 9 from £45 million to £59 million.</p>

Issue	Resolution
<p>3. Improvements to management commentary and governance statement disclosures</p> <p>Audit Scotland issued a good practice note on ‘Improving the quality of local authority accounts – integration joint boards’ (April 2018). The key aim of this document was to enhance disclosures to ensure high quality information is provided to stakeholders in IJB annual accounts. We raised a number of omissions relating to the management commentary and annual governance statement included in the unaudited accounts. The most significant of these was the lack of reference to the IJB’s three year recovery plan and the report from the turnaround consultant on the financial position.</p>	<p>Amendments were made to both the management commentary and the governance statement to address the omissions.</p>

How we evaluate misstatements

22. [Exhibit 3](#) explains adjustments to the accounts that are material by nature. We identified one material misstatement as shown in [Exhibit 3](#) relating to the allocation of funding from partners included in Note 9 of the accounts. This misstatement exceeded our overall materiality but as we were able to confirm partner contributions in their entirety we concluded that further audit procedures were unnecessary. The misstatement was amended in the audited accounts. This had no impact on the Comprehensive Income and Expenditure Statement.

Limited progress has been made with prior year recommendations

23. The IJB has made limited progress in implementing our prior year audit recommendations. Revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

Financial management arrangements need be strengthened to support effective scrutiny. A “turnaround” consultant report covering financial management appears to have had little effect.



The IJB did not set a balanced budget in 2018/19 and was unable to deliver the planned £4.5 million overspend. The year end outturn was a deficit of £9.3 million, with savings not being achieved in full. The deficit was again met by the partners resulting in year end “break-even”

The IJB continues to depend on additional year-end funding from NHS Fife and Fife Council.

The IJB does not have a long term financial plan

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial management arrangements need be strengthened to support effective scrutiny

24. The Chief Finance Officer (CFO) prepares and presents performance reports to each meeting of the Finance and Performance Committee and the IJB. From attendance at the committee and board meetings we have observed members challenging and questioning officers on the financial position.
25. Members have identified issues with the quality of the financial reports. For example a lack of detail on “management actions” in the October report and confusing figures in the December report which did not add up (**refer Recommendation 2 b/f [Appendix 1](#), action plan**).
26. We reviewed the budget monitoring process and confirmed that regular budget information is received from both NHS Fife and Fife Council. This is monitored by budget holders and accountants and regularly discussed by the CFO and Divisional General Managers (DGMs). However, the financial information is in different formats since it is produced using different systems and follows the typical reporting formats of the partner organisations. For example, the council reports focus on the projected year-end variance and NHS reports consider the year-to-date budget variances. This makes it more difficult to consider the position for the IJB as a whole. The CFO had access to the council finance system, but not the NHS system, which has restricted the ability to drill down into the detail.

Recommendation 1

The three partners should agree and support a consistent format of the budgetary control information provided to the IJB to enable more robust monitoring to take place.

A “turnaround” consultant report appears to have had little effect and the Board’s expectation of officers to report on actions has not been achieved

27. 2018/19 was the first year of the three-year financial recovery plan agreed with the partner bodies to get the IJB back to a balanced financial position. Throughout the year, finance reports showed the agreed deficit of £4.5 million (see paragraph 32) was not going to be delivered. Recovery actions did not identify the required level of savings or actions to reduce expenditure to address the overspend (see paragraph 34).
28. The IJB asked Scottish Government for help to develop a plan that would address the poor financial outlook and provide a more stable platform moving forward. A turnaround consultant was commissioned by the Scottish Government to review the financial position and advise the Senior Leadership Team (SLT). A report was given to SLT in November 2018 which included a number of recommendations. This was not well received by the SLT and was not provided to the Finance & Performance Committee until March 2019.
29. One of the key recommendations was the introduction of a Grip and Control Framework, and this was the main savings proposal in the second financial recovery plan presented to the Finance & Performance Committee and the IJB Board in December 2018. However, despite this being agreed by members, implementation was delayed until January 2019. There is little evidence that the process implemented from January resulted in any savings or restriction of any expenditure.
30. Members raised considerable concerns on the lack of information available to them following the turnaround consultant’s report and requested an action plan to address the points. Officers prepared a response to a selection of the points flagged which was not welcomed by members who sought to have responses to all of the points raised. This continues to be an on-going issue.



Recommendation 2

A robust recovery plan is required, to address the financial pressures faced by the IJB, taking into account the recommendations/suggestions made in the turnaround consultant’s report.

The IJB did not set a balanced budget in 2018/19 and was unable to deliver the planned £4.5 million overspend

31. The 2018/19 budget, agreed by the IJB in March 2018, was based on a three-year financial strategy agreed with partners with an overall funding gap for the year of £18.2 million. This was to be partially met by planned savings of £12.9 million and it was recognised that the remaining gap of £5.3 million would not be resolved in year. This gap was subsequently reduced to £4.5 million as additional funding was given by Fife Council. This represented an unbalanced budget which was underpinned by expected partner deficit-funding at the year-end in line with the integration scheme.

The year end outturn was a deficit of £9.3 million which was met by the partners resulting in year end “break-even”

32. Finance reports throughout the year showed that the £4.5 million remaining gap was not going to be closed and the Senior Leadership Team were unable to prepare an achievable financial recovery plan to do this (see [Exhibit 4.](#)). The actual outturn prior to deficit funding was an overspend of £9.2 million (2%). NHS Fife contributed £2.6 million and Fife Council contributed £6.6 million towards the deficit. This had a significant impact on the partner organisations (Fife Council and NHS Fife) as the Integration Scheme currently requires them to deficit fund the IJB

Exhibit 4

Financial Monitoring reports showing projected outturn for overspends

IJB Financial Report	Year end forecast £m
September 2018 (period 6)	9.3
November 2018 (period 8)	10.9
January 2019 (period 10)	10.9
March 2019 (year end position prior to risk share)	9.2

Source: Financial Monitoring Reports taken to IJB: note these do not include the Acute Set Aside overspend, as any overspend was borne by NHS Fife

The IJB achieved 62 per cent of the required efficiency savings

33. The IJB is required to make efficiency savings to maintain financial balance. In 2018/19 efficiency savings of £12.9 million were required and £8 million were achieved. The shortfall was due to:

- £0.6 million increased charges for services which were not approved by Fife Council.
- £0.8 million transformation savings for Community Redesign (£0.4 million) and Out of Hours (£0.4 million) not being achieved in year. These projects are on-going.
- £0.4 million planned management restructuring savings that were not delivered. This is being taken forward on a divisional basis with Trade Unions
- £1.7 million shortfall on a renegotiated mobile telephony contract. Work is on-going with Fife Council’s “changing to deliver” team and Scotland Excel to identify further savings.

34. Had the planned savings been achieved, the IJB would have delivered the planned budget gap/ outturn overspend of £4.5 million.

The IJB continues to depend on additional year-end funding from NHS Fife and Fife Council.

35. The IJB has received deficit funding from NHS Fife and Fife Council for the last three years (£9.2 million, £8.8 million and £9.3 million) to enable it to achieve a

breakeven position. We reported in 2017/18 that a three-year financial plan had been approved by the IJB setting out the budget gaps for the period 2018-20. This resulted from the medium term financial outlook submitted to the IJB in November 2017 which detailed the financial challenges.

36. The recovery plan agreed for 2018-21 identified a budget gap for 2019/20 of £31.8 million and £46.7 million for 2020/21. Budget gaps have not been fully reflected in savings targets in 2018/19 (as there was an underlying acceptance that partners would require to deficit-fund a proportion) and not all remaining savings targets have been achieved
37. There is little evidence that the financial recovery plans have made a significant difference and transformation, which is cited as key to overcoming the financial challenges, is not progressing as expected. Taking all of this into consideration it is clear that the IJB is not financially stable and is unlikely to achieve financial stability in the medium term.

The IJB does not have a long term financial plan

38. Medium and long term financial planning is an important part of strong financial management. We reported previously that the IJB did not have a long term financial plan and had developed a medium term financial outlook. The three-year financial strategy effective from 2018/19 was not met in year 1 and the IJB still has no long-term financial planning in place.

Part 3

Governance, transparency and value for money



Main judgements

Action has been taken to clarify governance arrangements but more work is needed to ensure partners' roles and responsibilities are clear.



Board and committee meetings are held in public, but committee papers are not available on the website.

There have been significant changes in the IJB leadership team

The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report and has implemented relatively few of the recommendations

A best value framework is being adopted from 2019/20

The annual performance report did not include up to date performance indicators and we were unable to assess whether performance had improved in the year.

Transformation projects are being reviewed and the IJB has completed a consultation exercise and plan for redesigning out of hours care

Action has been taken to clarify governance arrangements, but more work is needed to ensure partners' roles and responsibilities are clear

39. The IJB is supported by three standing committees: Clinical & Care Governance, Finance & Performance and Audit & Risk. The Scheme of Integration sets out the governance arrangements for membership of the IJB.
40. The Fife integration scheme adopted a fully delegated approach with the IJB, through the Chief Officer, being responsible for operational delivery of services. There has been a degree of uncertainty as to what this means in practice and whether the governance arrangements in place are appropriate to deliver this. The integration scheme does not clearly set out the responsibilities of the health board, council and the IJB in relation to operational activities and we are not aware of this being considered by the board or a committee.
41. The IJB Governance Manual was updated to clarify arrangements and provide a clearer link between the three partner bodies. This is largely achieved through the Chief Social Work Officer for Fife Council and the Medical and Nursing Directors of NHS Fife becoming members of the Integration Joint Board to provide oversight and advice. There is further work needed to ensure that the roles and responsibilities of the three partners in the Fife Health & Social Care arrangements are clear.

Board and committee meetings are held in public, but committee papers are not available on the website

42. IJB Board meetings are held in public but the three standing committees - Audit & Risk, Finance & Performance and Clinical are held in private and there are no papers available for the committees on the website. This was raised in our 2017/18 report and was to be reviewed and discussed at committees by end of November 2018. No action has been taken on this.
43. During the year there have been numerous changes to dates of committee meetings or meetings being cancelled. Members have also expressed frustration at receiving late papers. Officers have committed to addressing this issue in 2019/20.

There have been significant changes in the IJB leadership team

44. The Chief Finance Officer resigned in March 2019 and the Chief Officer left in August 2019. The CFO post was filled in June 2019 making this the fourth CFO in post since the IJB was established. An interim appointment was made to the CO post (third CO since establishment) in August. The Director of Delivery, Health & Social Care Integration at the Scottish Government will be supporting a number of IJBs, including Fife, which is expected to bolster the SLT and be particularly helpful to the new CO.

A new Strategic Plan has been approved

45. A draft Strategic Plan 2019-22 was considered by both the Finance & Performance Committee (July 2019) and Clinical Care Governance Committee (August 2019). The plan was approved by the Board in September 2019 and will be monitored through the Integrated Performance Framework. The plan includes five specific priorities which will contribute to the delivery of the national well being outcomes:

- Working with local people and communities to address inequalities and improve health and wellbeing outcomes across Fife.
- Promoting mental health and wellbeing.
- Working with communities, partners and the workforce to effectively transform, integrate and improve services.
- Living well with long term conditions.
- Managing resources effectively while delivering quality outcomes.

The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report and has implemented relatively few of the recommendations

46. In November 2018, Audit Scotland published its review of Health and Social Care Integration in Scotland. That review was considered by the Ministerial Strategic Group (MSG) for Health and Community Care which developed a number of specific proposals in light of the Audit Scotland recommendations. The MSG also requested that each Health Board, Local Authority and Integration Joint Board should undertake a self-evaluation of their progress in relation to those proposals.
47. Fife IJB's self-evaluation rated 8 of the 22 local proposals as 'Established' with 12 classed as 'Partly Established' and 2 as 'Not Yet Established'. The 2 proposals classed as 'Not Yet Established' were:

- Delegated hospital budgets and set aside budget requirements must be fully implemented
- Improved capacity for strategic commissioning of delegated hospital services must be in place.

Internal audit arrangements are effective

- 48.** Internal audit provides the IJB Board and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.
- 49.** The internal audit function is carried out by the Audit and Risk Management Service of Fife Council, in conjunction with Fife, Tayside and Forth Valley Internal Audit Services in their role as Fife Health Board Internal Auditors. We carried out a review of the adequacy of the internal audit functions and concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS) and have sound documentation standards and reporting procedures in place.
- 50.** We considered the findings of the work of internal audit on performance indicators & outcome measures as part of our wider dimension audit work.

Risk management arrangements are being strengthened

- 51.** A short life working group was set up during the year to review the risk management process. The three partner bodies are working together to ensure that each partner's risk register reflects consistent risks and to clarify which organisation will take responsibility to manage these. Once in place, this should significantly streamline the risk management process and remove the risk of either all or none of the partners monitoring identified risks.

The partner bodies have sound systems of internal control in place

- 52.** Fife IJB does not have any financial systems of its own, instead it relies upon the financial systems of its partners to record all transactions. As part of our audit approach we sought assurances from the external auditor of NHS Fife and Fife Council (in accordance with ISA 402). Some control weaknesses were identified and the auditors adapted their audit procedures to obtain the assurances required for the respective audits. This did not identify any issues.

The partner bodies have sound arrangements for the prevention and detection of fraud and error

- 53.** The IJB uses the financial systems of Fife Council and NHS Fife and so arrangements for the prevention and detection of fraud, bribery and corruption in respect of the financial systems is the responsibility of these organisations.
- 54.** We have received assurances from the auditors of Fife Council and NHS Fife (in accordance with ISA 402) that there are no issues of concern.

A best value framework is being adopted from 2019/20

- 55.** To achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources. Integration Joint Boards have a statutory duty to make arrangements to secure best value.

56. A meeting of the Finance and Performance Committee in January 2019 agreed that a Best Value framework would be adopted by the IJB from 2019/20. This will set out the areas against which the IJB would seek to demonstrate delivery of best value including:
- Management of Resources (financial assurance and monitoring of IJB budget resources, medium term financial planning, workforce planning)
 - Effective Leadership and Strategic Direction (commitment to delivering integration among Board members and senior managers through IJB Strategic Plan)
 - Performance Management (regular reporting and scrutiny of IJB performance, achievement against Health and Social care outcomes and progressing integration)
 - Joint Working with Partners (demonstration of effective approach to joint working with partners to progress integration through Fife Health and Social Care Delivery plan)
 - Service Review / Continuous Improvement (regular reviews of service activity and scope for integration through projects such as Frailty Programme and Mental Health Redesign)
 - Governance and Accountability (demonstration through public performance information such as Annual Accounts, Governance Statement and Annual Performance report)
 - Engagement with Community (e.g. regular engagement and consultation with stakeholders through Locality Planning Groups and Strategic Plan consultation).
57. The Finance & Performance Committee will take responsibility for assessing the new approach annually to ensure the IJB has demonstrated best value in the delivery of delegated functions during the year. This will be reported to the Board.

The annual performance report was not published by the statutory deadline and did not contain up to date performance indicators

58. The IJB Board receives a finance and performance report at each meeting. These reports provide an update on the financial position, performance against national outcomes and against local health and social care indicators and details the number of requests and complaints received. The reports are available through board papers on the IJB's website.
59. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan. Although a draft annual performance report was published by 31 July, the final version of the report was not approved by the Board until September 2019, this is two months later than the statutory deadline. Our review of the draft report confirmed that all the areas expected per the guidance had been included.
60. The IJB assesses its performance against 23 different measures – the nine national health and wellbeing outcomes and 14 of its own strategic commissioning measures.
61. These are outlined in the appendix to the annual report, however the figures in the draft report were from the previous year as there were no updates available

for the national indicators when the draft performance report was issued. It is also not clear whether information is now available for the five indicators not reported in 2017/18. (refer **Recommendation 7 b/f [Appendix 1](#), action plan**)

Transformation projects are being reviewed and the IJB has completed a consultation on redesigning out of hours care

62. The IJB risk register includes an amber risk that transformation programmes will not meet the desired timescales, achieve the required clinical outcomes or deliver the savings required.
63. To address these concerns the Joint Strategic Transformation Group is to be reformed to drive the process forward. The group will be chaired by the Chief Executive of NHS Fife. A workshop was organised in July to take stock of progress with significant transformation programmes across the Health and Social Care Partnership and NHS Fife. The next steps are to develop a clear direction of travel and timeline for each significant change programme.
64. A consultation process was undertaken on “Joining Up Care”, a major transformation project which included redesigning both out of hours urgent care and community hospital and intermediate care services. In December 2018 this was subject to a participation request raised by St Andrews Community Council and the Glenrothes Area Tenants Federation through the Community Empowerment Act. The requests were made to NHS Fife, as the IJB is not directly covered by the Act. This was a unique situation given the IJB has delegated authority on the services covered by the request.
65. Further meetings and workshops were held in March 2019 to address the concerns raised and the IJB approved the Out of Hours redesign proposals at its meeting on 21 June 2019.

The IJB is participating in resilience arrangements with its partners to prepare for EU withdrawal.

66. The impact of EU withdrawal on medicines and medical equipment is included as a high risk on the Fife IJB strategic risk register and this risk is being monitored by a group chaired by the Director of Medicines and Pharmacy. As the IJB does not directly incur expenditure or employ its own staff, it is heavily dependent on the preparations of NHS Fife and Fife Council to mitigate the risks associated with EU withdrawal.
67. We have taken assurance from the conclusions reported by the external auditors of NHS Fife and Fife Council that both bodies are making reasonable preparations for EU withdrawal. On this basis, we have no specific risks to highlight.

National performance audit reports

68. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in [Appendix 3](#).

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Consistency of budgetary information</p> <p>Budget monitoring information is received from both NHS Fife and Fife Council. However, the financial information is in different formats since it is produced using different systems and follows the typical reporting formats of the partner organisation. For example, the council reports focus on the projected year-end variance and NHS reports consider the year-to-date budget variances.</p> <p>Risk: The IJB financial position is not monitored on a consistent basis which could impact on the quality of the budgetary reports.</p>	<p>The three partners should agree and support a consistent format of the budgetary control information provided to the IJB to enable more robust monitoring to take place.</p> <p>Paragraph 26</p>	<p>Information is collated by the Chief Finance Officer into a consistent format.</p> <p>This is reflected in the monitoring reports submitted to IJB.</p> <p>Production of reports to be clearly scheduled and sufficient time allowed for scrutiny and refinement.</p> <p>Chief Finance Officer</p> <p>Ongoing</p>
2	<p>Financial sustainability</p> <p>The financial recovery plan agreed an overspend of £4.5 million for 2018/19. Forecast throughout the year showed this was not going to be delivered and subsequent recovery actions did not identify the required level of savings or actions to reduce expenditure to address the overspend. The recommendations from the turnaround consultant's report have not been fully considered and implemented.</p> <p>Risk The IJB will not be able to deliver financial sustainability over the medium term and the partner bodies will continue to bear the financial risk of adverse outturns which will detract from activities to transform services.</p>	<p>A robust recovery plan is needed to address the financial pressures faced by the IJB. This should also take account of the recommendations/suggestions made in the turnaround consultant's report.</p> <p>Paragraph 30</p>	<p>A recovery plan will be developed to consider what action can be taken in-year, but will also focus on the medium term financial strategy that is required to close the budget gap.</p> <p>Senior Leadership Team</p> <p>31 March 2020</p>

Follow up of prior year recommendations

b/f 1	Publication of unaudited accounts	Unaudited accounts should be made available on the website from the date they are submitted to audit until the date the audited accounts are available.	<p>Not completed</p> <p>We notified the Chief Finance Officer on 9 July 2019 that the unaudited accounts were not on the IJB's website and requested this to be done as soon as possible. This did not happen until several weeks later.</p> <p>Management response</p> <p>Unfortunately due to sickness and annual leave the unaudited accounts were not available on the website. Steps will be taken to ensure that there is a transfer of knowledge to other staff members within the partnership.</p> <p>Head of Corporate Services 30 June 2020</p>
b/f 2	Clarity of financial reporting	Information provided to members should be reasonably up to date and presented in a clear and succinct way to enable effective scrutiny to take place.	<p>Not completed</p> <p>Although steps have been taken to ensure the information is as up to date as possible, it is still not clear what the initial budget was, what changes have happened in the year, what savings have been delivered or how the recovery plan will be achieved.</p> <p>Management response</p> <p>This will be reflected in future Financial Updates to the IJB</p> <p>Chief Finance Officer 31 March 2020</p>
b/f 3	Financial sustainability and transformation	The IJB and partner bodies should review the financial position and financial sustainability of the IJB and then focus on delivering a longer-term transformation programme.	<p>Not completed</p> <p>The IJB's has not delivered on the agreed financial recovery plan and continues to rely on deficit-funding by the partner organisations.</p> <p>Management response</p> <p>Work is ongoing with members of SLT to develop a longer term financial plan which will focus on grip and control/ divisional efficiencies and transformation programmes.</p> <p>Chief Finance Officer 31 December 2019</p>

b/f 4 Review of governance arrangements	The partners should agree their roles, responsibilities and authority to ensure there is no uncertainty for either members or users of the service.	<p>Partially completed</p> <p>Action has been taken to strengthen governance arrangements with the CSWO and Medical and Nursing Directors joining the Board. Further work is needed to clarify the roles and responsibilities of the three partner bodies</p> <p>See paragraph Error! Reference source not found.</p> <p>Management response</p> <p>The action plan for the ministerial strategic group addresses these concerns which is currently being developed by SLT.</p> <p>Chief Officer</p> <p>31 March 2020</p>
b/f 5 Transparency and openness	Committee meetings should be open to the public with non-restricted papers available on the website	<p>Not completed</p> <p>No action has been taken on this.</p> <p>Management response</p> <p>The Chairs of each of the committees will be consulted with a view to full implementation during 2019/20</p> <p>Head of Corporate Services</p> <p>31 December 2019</p>
b/f 6 Best Value	The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.	<p>On-going</p> <p>A best value framework has been agreed and will be brought in from 2019/20</p> <p>See paragraph 56</p>
b/f 7 Annual performance report	The annual report should be made available within four months of the year end and the information provided in both the body and appendices should be reviewed.	<p>Not completed</p> <p>The draft report went to the Finance & Performance Committee in July but was not approved by the IJB until September. These are outlined in the appendix to the annual report, however the figures in the draft report were from the previous year and there were no up to date indicators in the 2018/19 performance report. It is also not clear whether information is now available for</p>

the five indicators not reported
in 2017/18

[See paragraph 61](#)

Management response

We have consulted with our
colleagues in ISD and
confirmed that information for
both the 2018/19 national
indicators and the indicators
not reported last year is not
available. This is due by end
September

***Head of Strategic Planning,
Performance and
Commissioning***

30 September 2019

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> • Agreement of balances and transactions to Fife Council and NHS Fife financial reports / correspondence. • Service auditor assurances will be obtained from the auditors of Fife Council and NHS Fife over the completeness, accuracy and allocation of income and expenditure. • On-going review of financial position. 	<p>Results We received assurances from the external auditors of Fife Council and NHS Fife and no issues were raised in relation to the completeness, accuracy and allocation of income and expenditure or to journals.</p> <p>Our review of the financial reporting found it was consistent with partner bodies records.</p> <p>Conclusion We did not identify any issues as a result of our audit work that would indicate management override of controls that materially affect the year-end position.</p>
<p>2 Preparation of annual accounts</p> <p>The Chief Finance Officer (CFO) has resigned and leaves post before the financial year end. There are also changes proposed to officers preparing the accounts.</p> <p>As it will be new staff involved in the accounts process this year there is a risk to the delivery/accuracy of financial statements.</p>	<ul style="list-style-type: none"> • Early engagement with the new CFO and other officers involved in the preparation of the accounts to ensure we are aware of any issues arising. 	<p>Results We received the unaudited annual accounts on 24 June in line with the agreed timetable. There were a number of amendments required to these accounts and the final version was approved by the Board on 24 September</p> <p>Conclusion The change in staff did not present any issue to the delivery of the annual accounts</p>
Wider dimension issues and risks		
<p>3 Financial management and sustainability</p> <p>The 2018/19 budget agreed by the IJB in March 2018 was based on a three-year financial strategy agreed with partners with an overall funding gap for</p>	<ul style="list-style-type: none"> • Review of turnaround consultant's report and findings and actions taken by officers in response. • Consideration of the IJB's budgetary control process 	<p>Results The turnaround consultant's report has yet to be fully responded to by officers. We reviewed the IJB's budgetary control process and found that improvements could be achieved by agreeing a consistent format</p>

Financial statements

the year of £18.2 million. This was to be partially met by planned savings of £12.9 million and it was recognised that the remaining gap of £5.3 million would not be resolved in year. This gap was subsequently reduced to £4.5 million as additional funding was given by Fife Council. This represented an unbalanced budget which was underpinned by partner deficit funding in line with the integration scheme.

At November 2018 the IJB is projecting that just under 65% (£8.3 million) of savings will be achieved and this coupled with overspends in year has resulted in a projected year end deficit of £10.9 million, 140% (£6.3 million) above the agreed deficit of £4.5 million.

The Senior Leadership Team has to date been unable to prepare an achievable financial recovery plan to address the overspend by 31 March 2019. This has a significant impact on the partner organisations (Fife Council and NHS Fife) as the Integration Scheme currently requires them to deficit fund the IJB.

We reported last year that the IJB had not yet achieved financial sustainability, looked unlikely to do so over the medium term and that progress on redesigning health and social care services and transforming how these are delivered was slower than anticipated. The position has deteriorated further in 2018/19 and there is an increased and significant risk to the IJB's financial sustainability

- Confirmation of funding and balances with host bodies.
- Continuing to monitor the in-year and year end financial position and any further funding decisions
- Consideration of the quality of the recovery plan and deliverability of actions proposed.
- Consideration of the transformational change programme, and how transformation of services contributes to the financial sustainability of the IJB.

and taking a stronger position on overspends. It was clear throughout the year that the recovery plan would not be achieved and subsequent attempts at revising the recovery plan failed. There continues to be slow progress in delivering major transformational change across Fife.

Conclusion The overspend was once again met through the risk share agreement by the partner bodies and the IJB delivered a breakeven position at the year end. The on-going financial pressures have been reported in Appendix 1.

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Fife Integration Joint Board

2018/19 Annual Audit Report

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The 2018/19 audit of Fife Integration Joint Board

Report on significant findings

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